VEOLIA ENVIRONNEMENT
Form 6-K
April 01, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2010

Commission File Number: 001-15248

VEOLIA ENVIRONNEMENT
(Exact name of registrant as specified in its charter)

36-38, avenue Kléber
75116 Paris, France
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If "Yes" marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-__

PRESS RELEASE

Posting of consolidated financial statements at December 31, 2009

Paris, March 25, 2010. Veolia Environnement announces that it is posting today its consolidated financial statements at December 31, 2009 on the company's website (www.veolia-finance.com). These financial statements are no different to those disclosed on March 5, 2010. They include notes to the consolidated accounts, including Note 42 (post- balance sheet events) referring to the unwinding of common subsidiaries between Veolia Eau-Générale des Eaux and Lyonnaise des Eaux in water division and preliminary notifications of a tax reassessment (notices of proposed adjustments) by the United States Internal Revenue Service.

Veolia Environnement (Paris Euronext: VIE and NYSE: VE) is the worldwide reference in environmental services. With more than 310,000 employees the company has operations all around the world and provides tailored solutions to meet the needs of municipal and industrial customers in four complementary segments: water management, waste management, energy management and freight and passenger transportation. Veolia Environnement recorded revenue of €34.5 billion in 2009. www.veolia.com

The review of results by auditors is still in progress

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Press release also available on our web site: http://www.veolia-finance.com

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Consolidated Financial Statements for the year ended December 31, 2009 DRAFT

Contents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - ASSETS	Notes	As of Decemb	
(€ million)		2009	2008
Goodwill	4	6,624.6	6,723.3
Concession intangible assets	5	3,624.8	3,637.7
Other intangible assets	6	1,437.8	1,535.2
Property, plant and equipment	7	9,382.4	9,427.1
Investments in associates	8	268.5	311.6
Non-consolidated investments	9	174.6	202.8
Non-current operating financial assets	10	5,275.2	5,298.9
Non-current derivative instruments - Assets	28	431.9	508.4
Other non-current financial assets	11	753.9	817.3
Deferred tax assets	12	1,621.3	1,579.5
Non-current assets		29,595.0	30,041.8
Inventories and work-in-progress	13	997.3	1,022.0
Operating receivables	13	12,247.5	13,093.2
Current operating financial assets	10	376.6	452.3
Other current financial assets	11	217.7	321.4
Current derivative instruments - Assets	28	45.6	142.8
Cash and cash equivalents	14	5,614.4	3,849.6
Assets classified as held for sale(1)	24	722.6	203.0
Current assets		20,221.7	19,084.3
Total assets		49,816.7	49,126.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - EQUITY AND LIABILITIES	Notes	As of Decemb	
(€ million)		2009	2008
Share capital		2,468.2	2,362.9
Additional paid-in capital		9,433.2	9,197.5
Reserves and retained earnings attributable to owners of the Company		(4,440.8)	(4,559.2
Total equity attributable to owners of the Company	15	7,460.6	7,001.2
Total equity attributable to non-controlling interests		2,670.1	2,530.5
Equity	15	10,130.7	9,531.7
Non-current provisions	16	2,291.1	2,160.2
Non-current borrowings	17	17,647.3	17,063.9
Non-current derivative instruments – Liabilities	28	139.3	159.9
Deferred tax liabilities	12	1,951.2	1,936.0
Non-current liabilities		22,028.9	21,320.0
Operating payables	13	13,075.7	13,591.8
Current provisions	16	749.2	773.1
Current borrowings	17	2,983.1	3,219.7
Current derivative instruments - Liabilities	28	84.8	125.9
Bank overdrafts and other cash position items	14	454.9	465.7
Liabilities directly associated with assets classified as held for sale	24	309.4	98.2
Current liabilities		17,657.1	18,274.4
Total equity and liabilities		49,816.7	49,126.1

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(€ million)	Notes	Year ended December 31,		
		2009	2008 (2)	2007 (2)
Revenue	18	34,551.0	35,764.8	31,574.1
o/w Revenue from operating financial assets		394.4	397.9	342.1
Cost of sales		(28,786.2)	(30,013.4)	(25,710.4)(1)
Selling costs		(602.6)	(621.4)	(560.4)(1)
General and administrative expenses		(3,338.1)	(3,218.6)	(2,905.8)(1)
Other operating revenue and expenses		196.0	49.4	63.6
Operating income	19	2,020.1	1,960.8	2,461.1
Finance costs	20	(880.4)	(1,111.2)	(958.0)
Finance income	21	96.1	202.2	151.1
Other financial income and expenses	22	(110.3)	(39.2)	2.3
Income tax expense	22	(242.2)	(462.0)	(399.7)
Share of net income of associates	8 & 23	1.4	19.4	17.1
Net income from continuing operations		884.7	570.0	1,273.9
Net income from discontinued operations	24	(42.8)	139.2	(19.1)
Net income for the year		841.9	709.2	1,254.8
Non-controlling interests	25	257.8	304.1	326.9
Attributable to owners of the Company		584.1	405.1	927.9
(in euros)				
Net income attributable to owners of the Company per share(3)	26			
Diluted		1.24	0.87	2.11
Basic		1.24	0.88	2.13
Net income from continuing operations attributable to owners of the Company per share(3)	26			
Diluted		1.33	0.71	2.17
Basic		1.33	0.71	2.19

The accompanying notes are an integral part of these consolidated financial statements.

(1) In 2008, as part of ongoing efficiency measures, the Group reclassified certain expenses from cost of sales to selling costs and general and administrative expenses. These reclassifications had no impact on operating income (see Note 19 Operating income).

(2) In accordance with IFRS 5, Non-current assets held for sale and discontinued operations, the Income Statements of:

- the Clemessy and Crystal entities in the Energy Services Division, divested in December 2008;

- the entities of the U.S. incineration activity in Environmental Services (Montenay International) and Freight activities (essentially in France, Germany and the Netherlands) divested in the second half of 2009;

- Transportation activities in the United Kingdom and Renewable energy activities in the process of divestiture at the year end, are presented in a separate line, “Net income from discontinued operations,” for the years ended December 31, 2008 and 2007.

(3) Pursuant to IAS 33, the weighted average number of shares outstanding taken into account for the calculation of 2008 and 2007 net income per share was adjusted following the distribution of a scrip dividend in June 2009. The adjusted number of earning per share is therefore 462.2 million as of December 31, 2008 and 434.8 million as of December 31, 2007 (see Note 26).

As of December 31, 2009, the weighted average number of shares is 471.7 million (diluted and basic).

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ million)	Year ended December 31, 2009	2008	2007
Net income for the year	841.9	709.2	1,254.8
Actuarial gains or losses on pension obligations	(67.8)	(138.1)	114.4
Related income tax expense	14.3	34.1	(26.4)
Amount net of tax	(53.5)	(104.0)	88.0
Fair value adjustments on available-for-sale assets	(3.3)	(18.2)	33.8
Related income tax expense	(0.6)	(0.2)	(0.1)
Amount net of tax	(3.9)	(18.4)	33.7
Fair value adjustments on cash flow hedge derivatives	46.2	(112.8)	15.5
Related income tax expense	(5.8)	24.2	(6.7)
Amount net of tax	40.4	(88.6)	8.8
Foreign exchange gains and losses:			
- on the translation of the financial statements of subsidiaries drawn up in a foreign currency	65.2	(279.8)	(251.5)
Amount net of tax	65.2	(279.8)	(251.5)
- on the net financing of foreign operations	2.2	(31.8)	(6.5)
- related income tax expense	3.8	15.9	1.0
Amount net of tax	6.0	(15.9)	(5.5)
Other comprehensive income	54.2	(506.7)	(126.5)
Total comprehensive income for the year	896.1	202.5	1,128.3
- Attributable to owners of the Company	657.1	(84.4)	778.5
- Attributable to non-controlling interests	239.0	286.9	349.8

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(€ million)

	Notes	Year ended December 31, 2009	2008	2007
Net income for the year attributable to owners of the Company		584.1	405.1	927.9
Net income for the year attributable to non-controlling interests	25	257.8	304.1	326.9
Operating depreciation, amortization, provisions and impairment losses	19	2,230.4	2,301.6	1,816.7
Financial amortization and impairment losses		7.2	19.5	8.0
Gains/(losses) on disposal and dilution	19	(306.1)	(288.2)	(173.5)
Share of net income of associates	8	0.9	(18.5)	(16.9)
Dividends received	21	(8.7)	(8.4)	(8.8)
Finance costs and finance income	20	792	922.8	817.1
Income tax expense	22	311.9	470.9	420.1
Other items (including IFRS 2)		69.1	69.5	101.9
Operating cash flow before changes in working capital		3,938.6	4,178.4	4,219.4
Changes in working capital	13	432.1	(80.9)	(167.1)
Income taxes paid		(408.5)	(347.5)	(417.7)
Net cash from operating activities		3,962.2	3,750.0	3,634.6
Capital expenditure	41	(2,465.7)	(2,780.6)	(2,518.7)
Proceeds on disposal of intangible assets and property, plant and equipment		258.7	329.8	212.9
Purchases of investments		(187.0)	(800.7)	(1,835.4)
Proceeds on disposal of financial assets		582.3	361.1	181.7
Operating financial assets:		-	-	
New operating financial assets	10	(483.1)	(507.0)	(404.1)
Principal payments on operating financial assets	10	455.2	358.2	360.7
Dividends received	8 & 21	14.8	15.8	15.3
New non-current loans granted		(43.8)	(252.7)	(65.0)
Principal payments on non-current loans		65.8	30.0	61.6
Net decrease/(increase) in current loans		140.9	(89.0)	(27.4)
Net cash used in investing activities		(1,661.9)	(3,335.1)	(4,018.4)
Net increase/(decrease) in current borrowings	17	(1,323.9)	(1 437.0)	(1,534.5)
New non-current borrowings and other debt	17	3,301.2	3,590.2	2,060.4
Principal payments on non-current borrowings and other debt	17	(1,514.8)	(184.8)	(1,362.9)
Proceeds on issue of shares		157.1	51.0	3,039.2
Share capital reduction	15		(131.0)	-
(Purchases of)/proceeds from treasury shares (1)		4.9	3.2	18.9
Dividends paid(1)		(434.0)	(754.4)	(564.3)
Interest paid		(729.8)	(847.6)	(716.0)
Net cash from/(used in) financing activities		(539.3)	289.6	940.8
Net cash at the beginning of the year		3,383.9	2,656.2	2,202.0
Effect of foreign exchange rate changes and other		14.6	23.2	(102.8)

Net cash at the end of the year		5,159.5	3,383.9	2,656.2
Cash and cash equivalents	14	5,614.4	3,849.6	3,115.6
Bank overdrafts and other cash position items	14	454.9	465.7	459.4
Net cash at the end of the year		5,159.5	3,383.9	2,656.2

(1) See the Statement of Changes in Equity

Net cash flows attributable to discontinued operations as defined in IFRS 5 contributed -€31.1 million, +€37.8 million and +€55.1 million to net cash from operating activities, +€266.6 million, +€148.4 million and -€94.1 million to net cash from investing activities and -€5.7 million, -€26.3 million and -€26.9 million to net cash from financing activities in 2009, 2008 and 2007, respectively.

Discontinued operations are presented in Note 24.

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

(€ million)	Number of shares outstanding	Share Capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of January 1, 2007	412,626,550	2,063.1	6,641.2	(479.6)	(3,986.7)	144.6	(21.8)	4,360.8	2,192.6	6,553.4
Issues of share capital of the parent company	59,136,206	295.7	2,538.3	-	33.8	-	-	2,867.8	-	2,867.8
Elimination of treasury shares		-	-	18.9	(0.3)	-	-	18.6	-	18.6
Share purchase and subscription options		-	-	-	15.6	-	-	15.6	-	15.6
Third party share in share capital increases of subsidiaries and changes in consolidation scope		-	-	-	-	-	-	-	178.5	178.5
Parent company dividend distribution		-	-	-	(419.7)	-	-	(419.7)	-	(419.7)
Third party share in dividend distributions of subsidiaries		-	-	-	-	-	-	-	(144.6)	(144.6)
Foreign exchange translation		-	-	-	-	(264.3)	-	(264.3)	15.4	(248.9)
Fair value adjustments		-	-	-	-	(8.1)	47.1	39.0	(0.8)	38.2
		-	-	-	79.5	-	-	79.5	8.5	88.0

Actuarial gains or losses on pension obligations										
Net income for the year		-	-	-	927.9	-	-	927.9	326.9	1,254.8
Other changes		-	-	-	(17.3)	8.7	(3.7)	(12.3)	1.3	(11.0)
As of December 31, 2007	471,762,756	2,358.8	9,179.5	(460.7)	(3,367.2)	(119.1)	21.6	7,612.9	2,577.8	10,190.7
Issues of share capital of the parent company	813,910	4.1	17.9					22.0	-	22.0
Elimination of treasury shares				3.2	2.3			5.5	-	5.5
Share purchase and subscription options					5.5			5.5		5.5
Third party share in share capital increases of subsidiaries and changes in consolidation scope									(129.0)	(129.0)
Parent company dividend distribution					(553.5)			(553.5)		(553.5)
Third party share in dividend distributions of subsidiaries									(200.8)	(200.8)
Foreign exchange translation						(591.9)		(591.9)	(1.9)	(593.8)
Fair value adjustments						298.1	(101.6)	196.5	(10.5)	186.0
Actuarial gains or losses on pension					(94.8)			(94.8)	(9.2)	(104.0)

obligations										
Net income for the year					405.1			405.1	304 .1	709.2
Other changes					13.1	(20.0)	0.8	(6.1)		(6.1)
As of December 31, 2008	472,576,666	2,362.9	9,197.4	(457.5)	(3,589.5)	(432.9)	(79.2)	7,001.2	2,530.5	9,531.7

(€ million)	Number of shares outstanding	Share Capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Foreign exchange translation reserves	Fair value reserves	Equity attributable to owners of the Company	Non-controlling interests	Total equity
As of December 31, 2008	472,576,666	2,362.9	9,197.4	(457.5)	(3,589.5)	(432.9)	(79.2)	7,001.2	2,530.5	9,531.7
Issues of share capital of the parent company (1)	21,053,708	105.3	235.8					341.1		341.1
Elimination of treasury shares				4.9				4.9		4.9
Share purchase and subscription options					10.3			10.3		10.3
Third party share in share capital increases of subsidiaries									149.8	149.8
Third party share in changes in consolidation scope									(45.0)	(45.0)
Parent company dividend distribution					(553.8)			(553.8)		(553.8)
Third party share in dividend distributions of subsidiaries									(202.0)	(202.0)
Foreign exchange translation						82.4		82.4	(17.2)	65.2
Foreign investments						82.0		82.0	(0.1)	81.9
Actuarial gains or losses on pension obligations					(51.2)			(51.2)	(2.3)	(53.5)
Fair value adjustments on cash flow hedge derivatives						(75.9)	35.6	(40.3)	4.8	(35.5)
Fair value adjustments on							0.1	0.1	(4.0)	(3.9)

available-for-sale assets										
TOTAL other comprehensive income					(51.2)	88.5	35.7	73.0	(18.8)	54.2
Net income for the year					584.1			584.1	257.8	841.9
Other changes					(0.2)			(0.2)	(2.2)	(2.4)
As of December 31, 2009	493,630,374	2,468.2	9,433.2	(452.6)	(3,600.3)	(344.4)	(43.5)	7,460.6	2,670.1	10,130.7

The dividend distribution per share was €1.21 in 2009 and 2008 and €1.05 in 2007.

A dividend distribution of €1.21 per share is proposed to the Annual General Meeting of Shareholders of May 7, 2010.

The total dividend paid recorded in the Consolidated Cash Flow Statement for the year ended December 31, 2009 of €434 million includes:

(€ million)	
Dividend distribution by the parent company	(554)
Third party share in dividend distributions of subsidiaries	(202)
Scrip dividend (1)	322
Total dividend paid	(434)

(1) The lines “Proceeds on issue of shares” and “Dividends paid” in the Consolidated Cash Flow Statement are presented net of scrip dividends as such distributions do not generate cash flows.

1 Accounting principles and methods

1.1 Accounting standards framework

1.1.1 Basis underlying the preparation of the financial information

Pursuant to Regulation n°1606/2002 of July 19, 2002, as amended by European Regulation n°297/2008 of March 11, 2008, the consolidated financial statements for the year ended December 31, 2009 are presented in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and IFRS as published by the International Accounting Standards Board (IASB). These standards may be consulted at the following European Union website: http://ec.europa.eu/internal_market/accounting/ias/index_fr. htm
These financial statements are accompanied, for comparative purposes, by financial statements for fiscal years 2008 and 2007 drawn up in accordance with the same standards framework.

Since fiscal year 2006, the Group has accounted for its concession business in accordance with the principles set out in IFRIC 12, Service Concession Arrangements, published by the IASB on November 30, 2006 and adopted by the European Union on March 26, 2009.

In the absence of IFRS standards or interpretations and in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Veolia Environnement uses other standard references and in particular U.S. standards.

1.1.2 Standards, standard amendments and interpretations applicable from fiscal year 2009

The accounting principles and valuation rules applied by the Group in preparing the consolidated financial statements for the year ended December 31, 2009 are identical to those applied by the Group as of December 31, 2008, with the exception of the following standards, standard amendments and interpretations which came into mandatory effect as of January 1, 2009 or July 1, 2009:

IFRS 8, Operating Segments
The impact of the implementation of this new standard is presented in Note 1.26 below.
IAS 1 Revised, Presentation of Financial Statements
Pursuant to the revised standard, the "Balance sheet" is now known as the "Consolidated Statement of Financial Position" and the changes resulting from transactions with owners of the Company acting in this capacity are presented separately from transactions with non-controlling interests in the Statement of Changes in Equity, which is now presented with the financial statements.
IFRIC 18, Transfers of assets from Customers
IFRIC 18, Transfers of Assets from Customers, is applicable from July 1, 2009 but was not adopted by the European Union until December 1, 2009. The interpretation is of prospective applicable and the Group did not elect for early adoption.
The interpretation covers situations where a customer transfers an asset to a supplier at the beginning of a contract, which the supplier must then use for the supply of goods or services. This interpretation also applies to cash transferred by a customer to finance the acquisition or construction of assets by the supplier to be used for the supply of goods or services. Contracts and services covered by the provisions of IFRIC 12 are specifically excluded from the scope of this interpretation.
Within the Group, this interpretation is likely to impact the Water and Energy Services Divisions. The Group has allocated the necessary resources to analyze the contracts signed since July 1, 2009, likely to fall within the

application scope of IFRIC 18.
IAS 23 Revised, Borrowing Costs
Amendments to IAS 32 and IAS 1, Financial Instruments – Presentation: puttable financial instruments and obligations arising on liquidation\
Amendments to IFRS 1 and IAS 27 relating to the cost of an investment on first-time adoption of IAS/IFRS
Amendment to IFRS 2, Share-based Payment – vesting conditions and cancellations
Amendments arising from the 2006-2008 annual improvement process, with the exception of the amendments to IFRS 5
Amendment to IFRS 7, Financial Instruments: Disclosures – Improvements to Financial Instrument Disclosures
Amendment to IAS 39 and IFRIC 9 relating to embedded derivatives
IFRIC 13, Customer Loyalty Programmes
IFRIC 15, Agreements for the Construction of Real Estate
IFRIC 16, Hedges of a Net Investment in a Foreign Operation

Implementation of these standards and interpretations did not have a material impact.

1.1.3 Texts which enter into mandatory effect after December 31, 2009 and which have not been adopted early

Veolia Environnement has not elected for early adoption of the following standards, standard amendments and interpretations published as of December 31, 2009 (adopted or in the course of being adopted by the European Union):

IFRS 3 Revised, Business Combinations
Amendment to IAS 27, Consolidated and Separate Financial Statements

The application of IFRS 3 Revised and IAS 27 Revised is likely to have a material impact on future business combinations or transactions with non-controlling interests.

Amendments resulting from the 2007-2009 annual improvement process (not adopted by the European Union).

Pursuant to the new amendment specifying the conditions for implementing IAS 7, the Group will eliminate the replacement costs detailed in Note 19, Operating income, from “Net cash from operating activities” in the Consolidated Cash Flow Statement, from January 1, 2010.

Consequently, when adjusting “Net income attributable to owners of the Company” to obtain “Net cash from operating activities”, replacement costs will no longer be eliminated under “Operating depreciation, amortization, provisions and impairment losses.” This amendment has no impact on net income or equity.

Amendments to IAS 28 and IAS 31 subsequent to IFRS 3 revised
IAS 24 Revised, Related Party Disclosures (not adopted by the European Union)
Amendment to IAS 32, Financial Instruments: Disclosures: Classification of rights issues
Amendment to IAS 39, Financial Instruments: Recognition and Measurement: Eligible Hedged Items
Amendment to IFRS 2, Share-based Payment - Group cash-settled share-based payment transactions, (not adopted by the European Union)
Amendment to IFRS 5 resulting from the 2006-2008 annual improvement process
IFRIC 17, Distribution of Non-cash Assets to Owners
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (not adopted by the European Union)
Amendment to IFRIC 14, Prepayments of a Minimum Funding Requirement (not adopted by the European Union)
IFRS 9, Financial Instruments, Classification and Measurement (not adopted by the European Union)

Subject to their definitive adoption by the European Union, these standards, standard amendments and interpretations are of mandatory application from July 1, 2009 or later, that is from January 1, 2010 or later for the Group. The Group is currently assessing the potential impact of the first-time application of these new texts.

1.2 General principles underlying the preparation of the financial statements

The accounting methods presented below have been applied consistently for all periods presented in the consolidated financial statements.

The consolidated financial statements are presented on the basis of historical cost, with the exception of assets and liabilities recognized at fair value: derivatives, financial instruments held for trading, financial instruments designated at fair value and available-for-sale financial instruments (in accordance with IAS 32 and IAS 39).

The Veolia Environnement consolidated financial statements for the year ended December 31, 2009 were adopted by the Board of Directors on March 24, 2010 and will be presented for approval to the Annual General Meeting of Shareholders on May 7, 2010.

1.3 Basis of presentation as of December 31, 2009

The consolidated financial statements are presented in millions of euro, unless stated otherwise.

The consolidated financial statements comprise the financial statements of Veolia Environnement SA and its subsidiaries. The financial statements of subsidiaries are drawn up for the same reference period as those of the parent company, from January 1, to December 31, 2009, in accordance with uniform accounting policies and methods.

All inter-company balances and transactions, together with all income and expense items and unrealized gains and losses included in the net carrying amount of assets, resulting from internal transactions, are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, which is the date on which the Group obtains control, up to the date on which it ceases to exercise control.

Non-controlling interests represent the part of net income or loss and of net assets not held by the Group. They are presented in the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and in equity in the Consolidated Statement of Financial Position, separately from equity attributable to the owners of the Company.

1.4 Principles of Consolidation

Veolia Environnement fully consolidates all entities over which it exercises control. Control is defined as the ability to govern, directly or indirectly, the financial and operating policies of an entity in order to obtain the benefit of its activities.

Pursuant to the provisions of IAS 28, Investments in Associates, Veolia Environnement accounts for associates using the equity method where it exercises significant influence over financial and operating policies. Significant influence is presumed to exist where the Group holds at least 20% of share capital or voting rights.

Companies over which Veolia Environnement exercises joint control as a result of a contractual agreement between partners are consolidated using the proportionate method in accordance with IAS 31, Interests in Joint Ventures.

Pursuant to SIC 12, Consolidation - Special Purpose Entities, special-purpose entities (SPEs) are consolidated when the substance of the relationship between the SPE and Veolia Environnement or its subsidiaries indicates that the SPE is controlled by Veolia Environnement. Control may arise through the predetermination of the activities of the SPE or through the fact that, in substance, the financial and operating policies are defined by Veolia Environnement or Veolia Environnement benefits from most of the economic advantages and/or assumes most of the economic risks related to the activity of the SPE.

Pursuant to IAS 27, Consolidated and Separate Financial Statements, potential voting rights available for exercise attached to financial instruments which, if exercised, would confer voting rights on Veolia Environnement and its subsidiaries, are taken into account where necessary in assessing the level of control or significant influence exercised.

1.5 Translation of foreign subsidiaries' financial statements

Balance sheets, income statements and cash flow statements of subsidiaries whose functional currency is different from the presentation currency of the Group are translated into the presentation currency at the applicable rate of exchange (i.e. the year-end rate for balance sheet items and the average annual rate for income statement and cash flow items). Foreign exchange translation gains and losses are recorded in other comprehensive income in equity. The exchange rates of the major currencies of non-euro countries used in the preparation of the consolidated financial statements were as follows:

Year end exchange rate (one foreign currency unit = €xx)	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
U.S. Dollar	0.6942	0.7185	0.6793
Pound Sterling	1.1260	1.0499	1.3636
Czech Crown	0.0378	0.0372	0.0376

Average annual exchange rate (one foreign currency unit = €xx)	Average annual rate 2009	Average annual rate 2008	Average annual rate 2007
U.S. Dollar	0.7177	0.6782	0.7248
Pound Sterling	1.1222	1.2433	1.4550
Czech Crown	0.0378	0.0399	0.0361

1.6 Foreign currency transactions

Foreign currency transactions are translated into euro at the exchange rate prevailing at the transaction date. At the year end, foreign currency-denominated monetary assets and liabilities are remeasured in euro at year-end exchange rates. The resulting foreign exchange gains and losses are recorded in net income for the period.

Loans to a foreign subsidiary the settlement of which is neither planned nor probable in the foreseeable future represent, in substance, a portion of the Group’s net investment in this foreign operation. Foreign exchange gains and losses on monetary items forming part of a net investment are recognized directly in other comprehensive income in foreign exchange translation adjustments and are released to income on the disposal of the net investment. The impact on the Veolia Environnement financial statements is not material.

Exchange gains and losses on foreign currency-denominated borrowings or on currency derivatives that qualify as hedges of a net investment in a foreign operation, are recognized directly in other comprehensive income as foreign exchange translation adjustments. Amounts recognized in other comprehensive income are released to income on the sale date of the relevant investment.

Foreign currency-denominated non-monetary assets and liabilities recognized at historical cost are translated using the exchange rate prevailing as of the transaction date. Foreign currency-denominated non-monetary assets and liabilities recognized at fair value are translated using the exchange rate prevailing as of the date the fair value is determined.

1.7 Property, plant and equipment

Property, plant and equipment are recorded at historical acquisition cost to the Group, less accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are recorded by component, with each component depreciated over its useful life.

Useful lives are as follows:

	Range of useful lives in number of years *
Buildings	20 to 50
Technical systems	7 to 24
Vehicles	3 to 25
Other plant and equipment	3 to 12

*The range of useful lives is due to the diversity of property, plant and equipment concerned

Borrowing costs attributable to the acquisition or construction of identified installations, incurred during the construction period, are included in the cost of those assets in accordance with IAS 23, Borrowing costs.

A finance lease contract is a contract that transfers to the Group substantially all the risks and rewards related to the ownership of an asset.

Pursuant to IAS 17, Leases, assets financed by finance lease are initially recorded in property, plant and equipment at the lower of fair value and the present value of future minimum lease payments. Subsequently, these assets are recognized at the lower of the present value of minimum lease payments less accumulated depreciation and any accumulated impairment losses, and market value, and depreciated over the shorter of the lease term and the expected useful life of the assets, unless it is reasonably certain that the asset will become the property of the lessee at the end of the contract.

Given the nature of the Group's businesses, the subsidiaries do not own investment property in the normal course of their operations.

1.8 Government grants

1.8.1 Investment grants for property, plant and equipment

In accordance with the option offered by IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, investment grants are deducted from the gross carrying amount of property, plant and equipment to which they relate.

They are recognized as a reduction in the depreciation charge over the useful life of the depreciable asset.

When the construction of an asset covers more than one period, the portion of the grant not yet used is recorded in “Other liabilities” in the Consolidated Statement of Financial Position.

1.8.2 Grants relating to concession arrangements

Grants received in respect of concession arrangements (see Note 1.21 for further details) are generally definitively earned and, therefore, are not repayable.

In accordance with the option offered by IAS 20, these grants are presented as a deduction from intangible assets or financial assets depending on the applicable model following an analysis of each concession arrangement (IFRIC 12). Under the intangible asset model, the grant reduces the amortization charge in respect of the concession intangible asset over the residual term of the concession arrangement.

Under the financial asset model, investment grants are equated to a means of repaying the operating financial asset.

1.8.3 Operating grants

Operating grants concern, by definition, operating items.

Where operating grants are intended to offset costs incurred, they are recognized as a deduction from the cost of goods sold over the period that matches them with related costs.

Where operating grants represent additional contractual remuneration of a recurring nature, such as contributions or compensation for inadequate revenue provided under certain public service delegation contracts, they are recognized in revenue.

1.9 Intangible assets excluding goodwill

Intangible assets are identifiable non-monetary assets without physical substance. They are recorded at acquisition cost less accumulated amortization and any accumulated impairment losses.

Intangible assets mainly consist of certain assets recognized in respect of concession arrangements (IFRIC 12), entry fees paid to local authorities for public service contracts, the value of contracts acquired through business combinations, patents, licenses, software and operating rights.

1.10 Business combinations and goodwill

Business combinations are recorded in accordance with the purchase accounting method as set out in IFRS 3. Under this method, assets acquired and liabilities and contingent liabilities assumed are recorded at fair value.

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities and contingent liabilities assumed, if any. It is valued in the functional currency and recognized in assets in the Consolidated Statement of Financial Position.

Pursuant to IFRS, goodwill is not amortized but is subject to impairment tests performed annually or more frequently where there is evidence calling into question the net carrying amount.

Where the fair value of assets acquired and liabilities and contingent liabilities assumed, if any, exceeds the purchase price, “negative goodwill” is immediately recognized in net income.

Treatment of costs directly attributable to acquisitions incurred during 2009 and concerning acquisitions to be completed after January 1, 2010:

Costs directly attributable to business combinations incurred during 2009, and relating to acquisitions to be completed during fiscal year 2010, were expensed in net operating income for the year.

1.11 Impairment of intangible assets, property, plant and equipment and non-financial assets

The net carrying amount of non-financial assets, other than inventory and deferred tax assets, is reviewed at each period-end in order to assess the existence of any indication of loss in value. Where such indication exists, the recoverable amount of the asset (equal to the higher of fair value less costs to sell and value in use) is estimated.

The net carrying amount of an asset or group of assets is reduced to its recoverable amount (higher of the fair value less costs to sell and the value in use), where this is lower.

Impairment losses can be reversed, with the exception of those relating to goodwill.

Veolia Environnement performs systematic annual impairment tests in respect of goodwill and other intangible assets with an indefinite useful life following the preparation of a long-term plan, or more frequently where there is an indication of loss in value. Where an exceptional impairment must be recorded, it is deducted in priority from goodwill allocated to the cash-generating unit (CGU) and then, where applicable, pro rata to the net carrying amounts of the other assets of the CGU.

The value in use is determined by discounting the future cash flows expected to be derived from the asset, CGU or group of CGUs considered, taking into account, where appropriate, the residual value. Given the Group’s activities, the cash-generating units generally represent a country in each Division. Future cash flows are taken for the first six years from the long-term plan validated by Executive Management. The main assumptions included in the calculation of the value in use of each cash-generating unit are the discount rate, changes in activity volumes, prices and direct costs (inflation) over the period and investments.

- Ø A discount rate (weighted average cost of capital) is determined for each asset, CGU or group of CGUs: it is equal to the risk-free rate plus a risk premium weighted for country-specific risks. The discount rates estimated by management for each cash-generating unit therefore reflect current market assessments of the time value of money and the country specific risks to which the cash-generating unit is exposed, with the other risks reflected in the expected future cash flows from the assets.
  - Ø Changes in volumes, prices and direct costs are based on past changes and expected future market trends.
- Ø The terminal value is calculated based on discounted forecast flows for the last year (2015). These flows include organic growth such as inflation.

As Water activities in China follow a specific economic model, with extremely long contract terms (up to fifty years) and high investment flows during the initial contract years, fiscal year 2015 may not be considered a standard year. Therefore, exceptionally, the business plan was extended to 2024 for the “Water–China” cash-generating unit, in order to identify standard flows for the calculation of the terminal value. The growth rate to perpetuity set out in Note 4 applies from this year.

1.12 Inventories

In accordance with IAS 2, Inventories, inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.13 Assets classified as held for sale and liabilities directly associated with assets classified as held for sale, discontinued operations

IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, sets out the accounting treatment applicable to assets held for sale and presentation and disclosure requirements for discontinued operations.

The standard notably requires the separate presentation of assets held for sale in the Consolidated Statement of Financial Position at the lower of net carrying amount and fair value less costs to sell.

In addition, the standard requires the separate presentation in the income statement of the results of discontinued operations for all comparative periods on a retrospective basis.

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale and:
- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or,
- is a subsidiary acquired exclusively with a view to resale.

Therefore, as of December 31, 2009, the results of operations sold or in the course of being sold in 2009 must also be adjusted in the comparative financial statements as of December 31, 2007 and 2008. The 2008 and 2007 comparative income statements therefore differ from those published previously.

The impact of these operations on cash flows from operating, investing and financing activities is presented at the foot of the Consolidated Cash Flow Statement for the year ended December 31, 2009 and comparative periods.

The 2008 and 2007 Consolidated Statements of Financial Position are unchanged.

1.14 Provisions

Pursuant to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when, at the year end, the Group has a current legal or implicit obligation to a third party as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

As part of its obligations under public services contracts, the Group generally assumes responsibility for the maintenance and repair of installations of the publicly-owned utility networks it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed.

In the event of a restructuring, an obligation exists if, prior to the period end, the restructuring has been announced and a detailed plan produced or implementation has commenced. Future operating costs are not provided.

In the case of provisions for restoration of waste storage facilities, Veolia Environnement accounts for the obligation to restore a site as waste is deposited, recording a non-current asset component and taking into account inflation and the date on which expenses will be incurred (discounting). The asset is amortized based on its depletion.

Provisions giving rise to an outflow after more than one year are discounted if the impact is material. Discount rates reflect current assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recorded in the Consolidated Income Statement in "Other financial income and expenses".

1.15 Financial instruments

1.15.1 Financial assets and liabilities

Financial assets include assets classified as available-for-sale and held-to maturity, assets at fair value through the Consolidated Income Statement, asset derivative instruments, loans and receivables and cash and cash equivalents.

Financial liabilities include borrowings, other financing and bank overdrafts, liability derivative instruments and operating payables.

The recognition and measurement of financial assets and liabilities is governed by IAS 39.

1.15.2 Measurement, recognition and derecognition of financial assets

Financial assets are initially recognized at fair value including transaction costs, where the assets concerned are not subsequently measured at fair value through the Consolidated Income Statement. Where the assets are measured at fair value through the Consolidated Income Statement, transaction costs are expensed directly to net income.

The Group classifies financial assets in one of the four categories identified by IAS 39 on the acquisition date:

Held-to-maturity assets

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturities, other than loans and receivables, that the Group acquires with the positive intention and ability to hold to maturity. After initial recognition at fair value, held-to-maturity assets are recognized and measured at amortized cost using the effective interest method.

Held-to-maturity assets are reviewed for objective evidence of impairment. An impairment loss is recognized if the carrying amount of the financial asset exceeds the present value of future cash flows discounted at the initial EIR. The impairment loss is recognized in the Consolidated Income Statement.

Net gains and losses on held-to-maturity assets consist of interest income and impairment losses.

Available-for-sale assets

Available-for-sale assets mainly consist of non-consolidated investments and marketable securities that do not qualify for inclusion in other financial asset categories. They are measured at fair value, with fair value movements recognized directly in other comprehensive income, except where there is a material or long-term unrealized capital loss. This can arise when future cash flows decrease to such an extent that the fair value of these assets falls materially or long-term below the historical cost. Where this is the case, the impairment loss is recognized in the Consolidated Income Statement. Impairment reversals are recognized in the Consolidated Income Statement for debt securities only (receivables and bonds).

Amounts recognized in other comprehensive income are released to income on the sale of the relevant investment. Fair value is equal to market value in the case of quoted securities and an estimate of the fair value in the case of unquoted securities, determined based on financial criteria most appropriate to the specific situation of each security. Non-consolidated investments which are not quoted in an active market and for which the fair value cannot be measured reliably, are recorded as a last resort by the Group at historical cost less any accumulated impairment losses.

Net gains and losses on available-for-sale assets consist of interest income, dividends, impairment losses and capital gains and losses on disposal.

Loans and receivables

This category includes loans to non-consolidated investments, operating financial assets, other loans and receivables and trade receivables. After initial recognition at fair value, these instruments are recognized and measured at amortized cost using the effective interest method.

An impairment loss is recognized if, where there exists an indication of impairment, the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR. The impairment loss is recognized in the Consolidated Income Statement.

The impairment of trade receivables is calculated using two methods:

- a statistical method : this method is based on past losses and involves the application of a provision rate by category of aged receivables. The analysis is performed for a group of similar receivables, presenting similar credit characteristics as a result of belonging to a client category and country.
- an individual method: the probability and amount of the loss is assessed on an individual case basis in particular for non-State public debtors (past due period, other receivables or payables with the counterparty, rating issued by an external rating agency, geographical location).

Net gains and losses on loans and receivables consist of interest income and impairment losses.

Assets and liabilities at fair value through the Consolidated Income Statement

This category includes:

- trading assets and liabilities acquired by the Group for the purpose of selling them in the near term in order to realize a capital gain, which form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives not qualifying for hedge accounting are also considered trading assets and liabilities.

- assets designated at fair value and primarily the portfolio of cash UCITS whose performance and management is based on fair value.

Changes in the value of these assets are recognized in the Consolidated Income Statement.
Net gains and losses on assets at fair value through the Consolidated Income Statement consist of interest income, dividends and fair value adjustments.

Net gains and losses on derivatives entered into for trading purposes consist of flows exchanged and the change in the value of the instrument.

Derecognition of financial assets
The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the contractual rights to the cash flows from the financial asset in a transaction under which nearly all the rights and obligations inherent to ownership of the financial asset are transferred. Any interest created or retained by the Group in a financial asset is recognized separately as an asset or liability.

1.15.3 Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments. Cash and cash equivalents include all cash balances, deposits with a maturity of less than 3 months when initially recorded in the Consolidated Statement of Financial Position, monetary UCITS and negotiable debt instruments. These investments can be converted into cash or sold in the very short term and do not present any material risk of loss in value. Cash equivalents are designated as assets at fair value through the Consolidated Income Statement.

Bank overdrafts repayable on demand which form an integral part of the Group's cash management policy represent a component of cash and cash equivalents for the purposes of the cash flow statement.

1.15.4 Recognition and measurement of financial liabilities

With the exception of trading liabilities and liability derivative instruments which are measured at fair value, borrowings and other financial liabilities are recognized initially at fair value less transaction costs and subsequently measured at amortized cost using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the estimated term of the financial instrument or, where applicable, over a shorter period, to the net carrying amount of the financial asset or liability.

When the financial liability issued includes an embedded derivative which must be recognized separately, the amortized cost is calculated on the debt component only. The amortized cost at the acquisition date is equal to the proceeds from the issue less the fair value of the embedded derivative.

1.15.5 Non-controlling interest put options

Pursuant to IAS 27, non-controlling interests in fully consolidated subsidiaries are considered a component of equity.

Furthermore, in accordance with IAS 32, non-controlling interest put options are considered as liabilities.

Pending an IFRIC interpretation or a specific IFRS, the Group has adopted the following accounting treatment:
- the present value of purchase commitments is recorded in borrowings in the Consolidated Statement of Financial Position, through non-controlling interests and where necessary goodwill for the residual balance
- gains or losses resulting from the unwinding of the discount on the liability are recorded in finance costs and, when the put exercise price varies, changes in the value of the instrument resulting from changes in valuation assumptions concerning the commitment are recorded in borrowings through goodwill.

If the non-controlling interests have not been purchased on the expiry of the commitment, equity attributable to non-controlling interests is reconstituted through goodwill and the liability recognized in respect of the commitment (no longer necessary).

1.15.6 Recognition and measurement of derivative instruments

The Group uses various derivative instruments to manage its exposure to interest rate and foreign exchange risks resulting from its operating, financial and investment activities. Certain transactions performed in accordance with the

Group interest rate and foreign exchange risk management policy do not satisfy hedge accounting criteria and are recorded as trading instruments.

Derivative instruments are recognized in the Consolidated Statement of Financial Position at fair value. Other than the exceptions detailed below, changes in the fair value of derivative instruments are recorded through the Consolidated Income Statement. The fair value of derivatives is estimated using standard valuation models which take into account active market data.

Net gains and losses on instruments at fair value through the Consolidated Income Statement consist of flows exchanged and the change in the value of the instrument.

Derivative instruments may be designated as hedges under one of three types of hedging relationship: fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation:

Ø a fair value hedge is a hedge of exposure to changes in fair value of a recognized asset or liability, or an identified portion of such an asset or liability, that is attributable to a specific risk (notably interest rate or foreign exchange risk), and could affect net income for the period.

- Ø a cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a specific risk associated with a recognized asset or liability or a highly probable forecast transaction (such as a planned purchase or sale) and could affect net income for the period.
- Ø a hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of a foreign operation including loans considered part of the investment (IAS 21, The Effects of Changes in Foreign Exchange Rates).

An asset, liability, firm commitment, future cash-flow or net investment in a foreign operation qualifies for hedge accounting if:

- Ø the hedging relationship is precisely defined and documented at the inception date;
- Ø the effectiveness of the hedge is demonstrated at inception and by regular verification of the offsetting nature of movements in the market value of the hedging instrument and the hedged item. The ineffective portion of the hedge is systematically recognized in the Consolidated Income Statement.

The use of hedge accounting has the following consequences:

- Ø in the case of fair value hedges of existing assets and liabilities, the hedged portion of these items is measured at fair value in the Consolidated Statement of Financial Position. The gain or loss on remeasurement is recognized in the Consolidated Income Statement, where it is offset against matching gains or losses arising on the fair value remeasurement of the hedging financial instrument, to the extent it is effective;
- Ø in the case of cash flow hedges, the portion of the gain or loss on the fair value remeasurement of the hedging instrument that is determined to be an effective hedge is recognized directly in other comprehensive income, while the gain or loss on the fair value remeasurement of the underlying item is not recognized in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss on the hedging instrument is recognized in the Consolidated Income Statement. Gains or losses recognized in other comprehensive income are released to the Consolidated Income Statement in the same period or periods in which the asset acquired or liability issued impacts net income;
- Ø in the case of net investment hedges, the effective portion of the gain or loss on the hedging instrument is recognized in translation reserves in other comprehensive income, while the ineffective portion is recognized in the Consolidated Income Statement. Gains and losses recognized in foreign exchange translation reserves are released to the Consolidated Income Statement when the foreign investment is sold.

1.15.7 Embedded derivatives

An embedded derivative is a component of a host contract that satisfies the definition of a derivative and whose economic characteristics are not closely related to that of the host contract. An embedded derivative must be separated from its host contract and accounted for as a derivative if, and only if, the following three conditions are satisfied:

- Ø the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- Ø the embedded derivative satisfies the definition of a derivative laid down in IAS 39; and
- Ø the hybrid instrument is not measured at fair value with changes in fair value recognized in the Consolidated Income Statement.

1.15.8 Treasury shares

Treasury shares are deducted from equity.

Gains or losses arising from the sale of treasury shares and related dividends are recognized directly in equity and do not impact the Consolidated Income Statement.

1.16 Pension plans and other post-employment benefits

Veolia Environnement and its subsidiaries have several pension plans.

Defined contribution plans: plans under which the Group (or a Group entity) pays an agreed contribution to a separate entity, relieving it of any liability for future payments.

These obligations are expensed in the Consolidated Income Statement when due.

Defined benefit plans: all plans which do not meet the definition of a defined contribution plan. The net obligations of each Group entity are calculated for each plan based on an estimate of the amount employees will receive in exchange for services rendered during the current and past periods. This amount is then discounted to present value and unamortized past service costs and the fair value of plan assets are deducted.

Where the calculation shows a plan surplus, the asset recognized represents the difference between the discounted present value of profits, in the form of future repayments or reductions in plan contributions, less the amount of unamortized past service costs. The plan surplus is recognized in non-current financial assets.

Certain obligations of the Group or Group entities may enjoy repayment entitlement, corresponding to a commitment by a third party to repay in full or in part the expenses relating to these obligations. Repayment entitlement is recognized in non-current financial assets.

Employee obligations of the Group are calculated using the projected unit credit method. This method is based on the probability of personnel remaining with companies in the Group until retirement, the foreseeable changes in future compensation, and the appropriate discount rate. Specific discount rates are adopted for each monetary zone. This results in the recognition of pension-related assets or provisions in the Consolidated Statement of Financial Position and the recognition of the related net expenses.

Pursuant to IAS 19 revised, Employee Benefits, actuarial gains and losses are offset against other comprehensive income and are not amortized in the Consolidated Income Statement.

1.17 Share-based payments

Pursuant to IFRS 2, Share-based Payment, an expense is recorded in respect of share purchase or subscription plans and other share-based compensation granted by the Group to its employees. The fair value of these plans on the grant date is expensed in the Consolidated Income Statement and recognized directly in equity in the period in which the benefit is vested and the service is rendered.

The fair value of purchase and subscription options is calculated using the Black and Scholes model, taking into account the expected life of the options, the risk-free interest rate, expected volatility, determined based on observed volatility in the past and dividends expected on the shares.

The compensation expense in respect of employee saving plans corresponds to the difference between the subscription price and the average share price at each subscription date, less a discount for non-transferability and to the Company’s contribution to subscribers.

1.18 Revenue

Revenue represents sales of goods and services measured at the fair value of the counterparty received or receivable.

Revenue from the sale of goods or services is recognized when the following conditions are satisfied:

- Ø the amount of revenue can be measured reliably;
- Ø the significant risks and rewards of ownership of the goods have been transferred to the buyer;
- Ø the recovery of the counterparty is considered probable;
- Ø the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.18.1 Sales of goods

Sales of goods mainly concern the sale of technological procedures and solutions relating to the treatment of water (drinking water and wastewater treatment) in the Water Division and sales of products related to recycling activities in the Environmental Services Division.

Revenue relating to these sales is recognized on physical delivery of the goods, which represents the transfer of the inherent risks of ownership of these goods.

1.18.2 Sales of services

The provision of services represents the majority of Group businesses such as the processing of waste, water distribution and related services, network operation and passenger transport and energy services (heat distribution, thermal services and public lighting).

Revenue from these activities is recognized when the service is rendered and it is probable that the economic benefits will flow to Group entities.

These activities involve the performance of a service agreed contractually (nature, price) with a public sector or industrial customer, within a set period. Billing is therefore based on the waste tonnage processed/ incinerated, the volume of water distributed, the thermal power delivered or the number of passengers transported, multiplied by the contractually agreed price.

It should be noted that fees and taxes collected on behalf of local authorities are excluded from Revenue when the Group does not bear the risk of payment default by third parties.

1.18.3 Construction contracts (excluding service concession arrangements)

Construction contracts primarily concern the design and construction of the infrastructures necessary for water treatment/distribution and wastewater treatment activities.

The related revenue is recognized in accordance with IAS 11, Construction Contracts (see Note 1.23).

1.18.4 IFRIC 4 Contracts

Contracts falling within the scope of IFRIC 4, Determining Whether an Arrangement Contains a Lease (see Note 1.21), involve services generally rendered to industrial/private customers. All service components to which the parties have agreed are detailed in contracts such as BOT (Build Operate Transfer) contracts.

Services include the financing of the construction of a specific asset/installation on behalf of the customer and the operation of the asset concerned.

Revenue relating to the construction of the asset is recognized in accordance with the provisions of IAS 11 and the asset is recorded in operating financial assets. Revenue is recognized on a completion basis at each period end, based on actual and expected costs.

The financing of construction work involves finance costs that are invoiced to the customer and recognized in Revenue, under Revenue from operating financial assets. This interest is recognized in Revenue from the start of construction work and represents remuneration received by the builder/lender.

Revenue relating to the operation of the asset is recognized on delivery of the goods or performance of the service depending on the operating activity.

1.18.5 Concession arrangements (IFRIC 12)

See Note 1.21 on Service concession arrangements.

1.19 Financial items in the Consolidated Income Statement

Finance costs consist of interest payable on borrowings calculated using the amortized cost method and losses on interest rate derivatives, both qualifying and not qualifying as hedges.

Interest costs included in payments under lease finance contracts are recorded using the effective interest method.

Finance income consists of gains on interest rate derivatives, both qualifying and not qualifying as hedges and income from cash investments and equivalents.

Interest income is recognized in the Consolidated Income Statement when earned, using the effective interest method.

Other financial income and expenses primarily include income on financial receivables calculated using the effective interest method, dividends, foreign exchange gains and losses, impairment losses on financial assets and the unwinding of discounts on provisions.

1.20 Income taxes

The income tax expense (credit) includes the current tax charge (credit) and the deferred tax charge (credit).

Deferred tax assets are recognized on deductible timing differences, tax loss carry forwards and/or tax credit carry forwards.

Deferred tax assets and liabilities are adjusted for the effects of changes in prevailing tax laws and rates at the year end. Deferred tax balances are not discounted.

A deferred tax asset is recognized to the extent that the Group is likely to generate sufficient future taxable profits against which the asset can be offset. Deferred tax assets are impaired to the extent that it is no longer probable that sufficient taxable profits will be available.

1.21 Description of Group concession activities

In the course of its business, Veolia Environnement provides collective services (distribution of drinking water and heating, passenger transport network, household waste collection, etc.) to local authorities in return for a remuneration based on services rendered.

These collective services (also known as services of general interest or general economic interest or public services) are generally managed by Veolia Environnement under contracts entered into at the request of public bodies which retain control thereof.

Concession arrangements involve the transfer of operating rights for a limited period, under the control of the local authority, using dedicated installations built by Veolia Environnement, or made available to it for a fee or nil consideration:

Ø These contracts define "public service obligations" in return for remuneration. The remuneration is based on operating conditions, continuity of service, price rules and obligations with respect to the maintenance/replacement of installations. The contract determines the conditions for the transfer of installations to the local authority or a successor at its term.

Ø Veolia Environnement can, in certain cases, be responsible for a given service as it holds the service support network (water/heat distribution network, water treatment network). Such situations are the result of full or partial privatizations. Provisions impose public service obligations and the means by which the local authority may recover control of the concession holder.

These contracts generally include price review clauses. These clauses are mainly based on cost trends, inflation, changes in tax and/or other legislation and occasionally on changes in volumes and/or the occurrence of specific events changing the profitability of the contract.

In addition, the Group generally assumes a contractual obligation to maintain and repair facilities managed under public service contracts. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where appropriate, a provision for contractual commitments is recorded in respect of commitments resulting from delays in the performance of work.

The nature and extent of the Group's rights and obligations under these different contracts differ according to the public services rendered by the different Group divisions.

The accounting treatment is disclosed in Notes 5 and 10.

Water:
Veolia Environnement manages municipal drinking water and/or waste water services. These services encompass all or part of the water cycle (extraction from natural sources, treatment, storage and distribution followed by collection and treatment of waste water and release into the environment).

In France, these services are primarily rendered under public service delegation "affermage" contracts with a term of 8 to 20 years. They concern the distribution of drinking water and/or the collection and treatment of waste water. They use specific assets, such as distribution or wastewater treatment networks and drinking water or wastewater treatment plants, which are generally provided by the concession grantor and returned to it at the end of the contract.

Abroad, Veolia Environnement renders its services under contracts which reflect local legislation, the economic situation of the country and the investment needs of each partner.

These contracts are generally concession arrangements, service contracts or O&M (Operate & Manage) and BOT contracts with an average term of between 7 and 40 years, and sometimes longer.

Contracts can also be entered into with public entities in which Veolia Environnement purchased an interest on their partial privatization. The profitability of these contracts is not fundamentally different from other contracts, but operations are based on a partnership agreement with the local authority.

Environmental Services:
Both in France and abroad, the main concession arrangements entered into by Veolia Environnement concern the treatment and recovery of waste in sorting units, storage and incineration. These contracts have an average term of 18 to 30 years.

Energy Services:
Veolia Environnement has developed a range of energy management activities: heating and cooling networks, thermal and multi-technical services, industrial utilities, installation and maintenance of production equipment, integration services for the comprehensive management of buildings and electrical services on public roadways.

The main contracts concern the management of heating and air-conditioning networks under urban concessions or on behalf of local authorities.

In Eastern Europe, Veolia Environnement's Energy Services Division provides services under mixed partial privatizations or through public-private partnerships with local authorities responsible for the production and distribution of thermal energy.

Transportation:

Veolia Environnement’s Transportation Division provides passenger transport services on behalf of local, regional and national public authorities.

Veolia Environnement primarily provides these services in France and abroad under service contracts comprising public service obligations (as per EU terminology), with terms of 7 to 15 years.

Accounting for service concession arrangements:
Concession arrangements are recognized in accordance with IFRIC 12, Service Concession Arrangements, published in November 2006. IFRIC 12 was approved by the European Union on March 26, 2009.

A substantial portion of the Group's assets is used within the framework of concession or affermage contracts granted by public sector customers ("grantors") and/or by concession companies purchased by the Group on full or partial privatization. The characteristics of these contracts vary significantly depending on the country and activity concerned.

Nonetheless, they generally provide, directly or indirectly, for customer involvement in the determination of the service and its remuneration, and the return of the assets necessary to the performance of the service at the end of the contract.

IFRIC 12 is applicable to concession arrangements comprising a public service obligation and satisfying all of the following criteria:

- Ø the concession grantor controls or regulates the services to be provided by the operator using the asset, the infrastructure, the beneficiaries of the services and prices applied;
- Ø the grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

Pursuant to IFRIC 12, such infrastructures are not recognized in assets of the operator as property, plant and equipment but in financial assets ("financial asset model") and/or intangible assets ("intangible asset model") depending on the remuneration commitments given by the grantor.

1.21.1 Financial asset model

The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the grantor.

In the case of concession services, the operator has such an unconditional right if the grantor contractually guarantees the payment of:

- Ø amounts specified or determined in the contract or
- Ø the shortfall, if any, between amounts received from users of the public service and amounts specified or determined in the contract.

Financial assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets" and recognized at amortized cost.

Unless otherwise indicated in the contract, the effective interest rate is equal to the weighted average cost of capital of the entities carrying the assets concerned.

Pursuant to IAS 39, an impairment loss is recognized if the carrying amount of these assets exceeds the present value of future cash flows discounted at the initial EIR.

The portion falling due within less than one year is presented in "Current operating financial assets", while the portion falling due within more than one year is presented in the non-current heading.

Revenue associated with this financial model includes:

- Ø revenue recorded on a completion basis, in the case of construction operating financial assets (in accordance with IAS 11).
- Ø the remuneration of the operating financial asset recorded in Revenue from operating financial assets (excluding principal payments);
- Ø service remuneration.

1.21.2 Intangible asset model

The intangible asset model applies where the operator is paid by the users or where the concession grantor has not provided a contractual guarantee in respect of the recoverable amount. The intangible asset corresponds to the right granted by the concession grantor to the operator to charge users of the public service.

Intangible assets resulting from the application of IFRIC 12 are recorded in the Consolidated Statement of Financial Position under the heading "Concession intangible assets" and are amortized, generally on a straight-line basis, over the contract term. However, fees paid to local authorities that are an integral part of the cost of the intangible asset are disclosed under the heading "Other intangible assets".

Under the intangible asset model, Revenue includes:

- Ø revenue recorded on a completion basis for assets and infrastructure under construction (in accordance with IAS 11).
- Ø service remuneration.

1.21.3 Mixed or bifurcation model

The choice of the financial asset or intangible asset model depends on the existence of payment guarantees granted by the concession grantor.

However, certain contracts may include a payment commitment on the part of the concession grantor covering only part of the investment, with the balance covered by royalties charged to users.

Where this is the case, the investment amount guaranteed by the concession grantor is recognized under the financial asset model and the residual balance is recognized under the intangible asset model.

1.22 Finance Leases

IFRIC 4 seeks to identify the contractual terms and conditions of agreements which, without taking the legal form of a lease, convey a right to use a group of assets in return for payments included in the overall contract remuneration. It identifies in such agreements a lease contract which is then analyzed and accounted for in accordance with the criteria laid down in IAS 17, based on the allocation of the risks and rewards of ownership.

The contract operator therefore becomes the lessor of its customers. Where the lease transfers the risks and rewards of ownership of the asset in accordance with IAS 17 criteria, the operator recognizes a financial asset to reflect the corresponding financing, rather than an item of property, plant and equipment.

These financial assets are recorded in the Consolidated Statement of Financial Position under the heading "Operating financial assets". They are initially recorded at the lower of fair value and total future flows and subsequently at amortized cost using the effective interest rate of the contract.

The portion falling due within less than one year is presented in "Current operating financial assets", while the portion falling due within more than one year is presented in the non-current heading.

Contracts falling within the scope of IFRIC 4 are either outsourcing contracts with industrial customers, BOT (Build Operate Transfer) contracts, or incineration or cogeneration contracts under which, notably, demand or volume risk is, in substance, transferred to the prime contractor.

During the construction phase, a financial receivable is recognized in the Consolidated Statement of Financial Position and revenue in the Consolidated Income Statement, in accordance with the percentage completion method laid down in IAS 11 on construction contracts.

The financial receivables resulting from this analysis are initially measured at the fair value of lease payments and then amortized using the effective interest method.

After a review of the contract and its financing, the implied interest rate on the financial receivable is based on either the Group financing rate and /or the borrowing rate associated with the contract.

1.23 Construction contracts

Veolia Environnement recognizes income and expenses associated with construction contracts in accordance with the percentage of completion method defined in IAS 11.

These contracts are entered into with local authorities or private partners for the construction of infrastructures. They are generally fixed-price contracts as defined by IAS 11.

Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably.

The percentage of completion is determined by comparing costs incurred at the period-end with total estimated costs under the contract. Costs incurred are recognized as production cost and do not include either administrative or selling costs.

Where total contract costs exceed total contract revenue, the expected loss is recognized as an expense immediately via a provision for losses to completion, irrespective of the stage of completion and based on a best estimate of forecast results including, where appropriate, rights to additional income or compensation, where they are probable and can be determined reliably. Provisions for losses to completion are recorded as liabilities in the Consolidated Statement of Financial Position.

Partial payments received under construction contracts before the corresponding work has been performed, are recognized in liabilities in the Consolidated Statement of Financial Position under advances and down-payments received.

The amount of costs incurred, plus profits and less losses recognized (particularly in provisions for losses to completion) and intermediary billings is determined on an individual contract basis. Where positive, this amount is recognized in assets in "amounts due from customers for construction contract work". Where negative, it is recognized in liabilities in "amounts due to customers for construction contract work".

1.24 Electricity purchase and sale contracts

Incidentally to their operations, certain Veolia Environnement subsidiaries are required to purchase or sell electricity on the market, in order to manage supplies and optimize costs.

Revenue

After analysis of contractual terms and conditions, the net margin on trading activity transactions is recognized in "Revenue".

Financial instruments

Certain subsidiaries enter into electricity transactions (forward contracts, options) which are recognized as derivative instruments in accordance with IAS 39.

Application scope of IAS 39

Options and forward purchase and sale contracts with physical delivery are excluded from the application scope of IAS 39 if entered into for own use (exception for own-use).
This exception is applicable when the following conditions are satisfied:

- The volumes purchased or sold under the contracts reflect the operating requirements of the subsidiary;
- The contracts are not subject to net settlement as defined by IAS 39 and, in particular, physical delivery is systematic;
- The contracts are not equivalent to sales of options, as defined by IAS 39.

Recognition and measurement of instruments falling within the application scope of IAS 39

Instruments falling within the application scope of IAS 39 are derivative instruments and are measured at fair value, calculated using models generally based on observable data. Fair value movements are recorded in operating income. The net impact of the unwinding of these transactions is recorded in revenue (see Note 28).

1.25 Greenhouse gas emission rights

Faced with increased greenhouse gas emissions into the atmosphere, the International Community introduced a regulatory system within the framework of the Kyoto protocol, aimed at reducing such emissions. This system was finalized in 1997 and came into effect in February 2005 and seeks to achieve a reduction in emission levels of at least 5% compared to 1990, over the commitment period 2008-2012 for industrialized countries. Emissions are capped through the allocation of emission rights (AAU: Assigned Amount Units) to each country, which must be surrendered in 2014 based on actual emissions during the period 2008-2012. Developing countries have no reduction objectives under the Kyoto protocol, but emission credits (CER: Certified Emission Reduction) may be presented to companies or States that contribute to investments enabling a reduction in greenhouse gas emissions in these countries.

At a European level, the European Union decided to implement, via Directive 2003/87/EC of October 13, 2003, an internal trading system for emission rights (EUA: EU Allowance). This system has been in effect since January 1, 2005. Draft Directive 2004/101/EC established a link between the Kyoto system and the European system, enabling the operators concerned to use CER, up to an agreed maximum, to satisfy their surrender obligations in the place of EUA.

Directive 2009/29/EC of April 26, 2009 amended the ETS Directive and extended the allowance trading system beyond the second period (2008-2012). It covers the period 2013-2020 and provides for a progressive reduction in allowances allocated and new allocation procedures.

In this context, the Group (primarily the Energy Services Division) was allocated free of charge by the different States of the European Union, a certain number of emission rights (EUA) for an initial period 2005-2007 (EUA I) and then for a second period 2008-2012 (EUA II). The actual emissions position is determined each year and the corresponding rights surrendered. The Group then purchases or sells emission rights, depending on whether actual emissions are greater or lesser than emission rights allocated.

In the absence of specific IFRS provisions, the Group has adopted the “net liability approach”, which involves the recognition of a liability at the period-end if actual emissions exceed allowances held, in accordance with IAS 37.

- Allowances are managed as a production cost and, in this respect, are recognized in inventories:

- at acquisition cost, if purchased for valuable consideration on the market.

Consumption of this inventory is recognized on a weighted-average unit cost basis.

Transactions in these allowances performed on the forward market are recorded at market value at the period-end. Fair value gains and losses on financial instruments relating to these forward transactions are recognized in other comprehensive income or net income depending on whether they qualify as cash flow hedges in accordance with IAS 39.

1.26 Segment reporting

Since January 1, 2009, the Group identifies and presents segment reporting in accordance with IFRS 8, Operating Segments.

This information is taken from the internal organization of Group activities and corresponds to the four Group businesses (which were used for primary reporting purposes under the former segment reporting standard, IAS 14): Water, Environmental Services, Energy Services and Transportation.

The quantified indicators presented by operating segment form part of the key ratios used for budget validation, operating segment performance measurement and resource allocation reviewed by Executive Management.

Financial information by operating segment is prepared in accordance with the same rules used to prepare the Consolidated Financial Statements.

1.27 Fair value determination principles

The fair value of all financial assets and liabilities is determined at the period-end, either for recognition in the accounts or disclosure in the notes to the financial statements (see Note 27).

Fair value is determined:

i. based on quoted prices in an active market, or
ii. using internal valuation techniques involving standard mathematical calculation methods integrating observable market data (forward rates, interest rate curves, etc.). Valuations produced by these models are adjusted to take account of a reasonable change in the credit risk of Veolia Group or the counterparty or
iii. using internal valuation techniques integrating parameters estimated by the Group in the absence of observable market data.

Quoted prices in an active market

When quoted prices in an active market are available they are adopted in priority for the determination of the market value. Marketable securities and certain quoted bond issues are valued in this way.

Fair values determined using models integrating observable market data

The majority of derivative instruments (swaps, caps, floors, etc.) are traded over the counter and, as such, there are no quoted prices. Valuations are therefore determined using models commonly used by market participants to value such financial instruments.

Valuations calculated internally in respect of derivative instruments are tested every six months for consistency with valuations issued by our counterparties.

The fair value of unquoted borrowings is calculated by discounting contractual flows at the market rate of interest.

The net carrying amount of receivables and payables falling due within less than one year and certain floating-rate receivables and payables is considered a reasonable estimate of their fair value, due to the short payment and settlement periods applied by the Veolia Group.

The fair value of fixed-rate loans and receivables depends on movements in interest rates and the credit risk of the counterparty.

Valuations produced by these models are adjusted to take account of changes in Veolia Group credit risk.

Fair values determined using models integrating certain non-observable data

Derivative instruments valued using internal models integrating certain non-observable data include certain electricity derivative instruments for which there are no quoted prices in an active market (notably for electricity purchase options with extremely long maturity) or observable market data (forward prices for component materials, interest-rate curves, etc.), in particular for distant maturities

2 Use of management estimates in the application of group accounting standards

Veolia Environnement may be required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent assets and liabilities. Future results may be different from these estimates.

Underlying estimates and assumptions are determined based on past experience and other factors considered as reasonable given the circumstances. They act as a basis for making judgments necessary to the determination of the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Future values could differ from these estimates.

Underlying estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period the change is made if it affects this period only and in the period the change is made and prior periods if they are also affected by the change.

Notes 1.10 and 4 on goodwill and business combinations present the method adopted for the allocation of the purchase price on business combinations. This allocation is based on future cash flow assumptions and discount rates.

Notes 1.11, 4 and 6 concern goodwill and non-current asset impairment tests. Group management performed tests based on best forecasts of discounted future cash flows of the activities of the cash-generating units concerned. Sensitivity analyses were also performed on invested capital values and are presented in the aforementioned notes.

Note 1.15 describes the principles adopted for the determination of financial instrument fair values.

Note 28 on derivative instruments describes the accounting treatment of derivative instruments. Veolia Environnement valued these derivative instruments, allocated them and tested their effectiveness where necessary.

Notes 16 and 30 on provisions and employee commitments detail the provisions recognized by Veolia Environnement. Veolia Environnement determined these provisions based on best estimates of these obligations.

Note 22 on the income tax expense presents the tax position of the Group and is primarily based in France and in the United States on best estimates available to the Group of trends in future tax results.

All these estimates are based on organized procedures for the collection of forecast information on future flows, validated by operating management, and on expected market data based on external indicators and used in accordance with consistent and documented methodologies.

The calculation methodology for discount rates adopted as of December 31, 2008 was analyzed with respect to the financial crisis. Following the stabilization of the financial context in 2009, these rates were analyzed again taking account of current conditions and using the following procedures:

- Application of IAS 36, Impairment of assets: in accordance with Group practice, the discount rates used correspond to the weighted-average cost of capital, calculated annually at the end of the first half-year. A review of these rates as of December 31, 2009 did not call into question this practice.
- Application of IAS 37, Provisions, Contingent Liabilities and Contingent Assets: the discount rates used consist of a risk-free interest rate and a risk premium specific to the underlying assets and liabilities. The adjustment applied to this risk premium in December 2008 to limit market volatility in this period, was not considered necessary at the 2009 year-end

- Application of IAS 19, Employee Benefits: the exclusive use of market indices and, in particular, the iboxx index in those countries where this index exists, was suspended as of December 31, 2008 due to the highly volatile nature of these indices. Commitments were once again measured using a range of market indices and, in particular the iboxx index, at the December 31, 2009 year-end.

3 Significant events

- As was the case in the second half of 2008, 2009 was marked by the financial crisis and its economic repercussions, and specifically:

- significant exchange rate fluctuations, which modified the contribution of businesses from outside the euro zone, particularly in Eastern Europe and on the U.S. dollar;
- the downward trend in energy prices and CO2 emission rights;
- the fall, followed by the stagnation or rise in the price of certain recycled raw materials (particularly paper and cardboard) ;
- the slowdown in activity, affecting volumes in the Environmental Services business lines, and, to a lesser extent, new orders in construction business in the Water and Energy Services Divisions;
- the difficult financial situation of industry economic players and, to a lesser extent, public players which weighed on the performance of certain growth projects and the solvency of some customers.

The first signs of stabilization of the economic environment began to appear, nonetheless, during the second half of 2009.

- In accordance with the decision of the May 7, 2009 Shareholders' General Meeting, the Group offered its shareholders a share or cash option with respect to the dividend payment. The share payment option was adopted by 58% of shareholders, resulting in the creation of 20.1 million shares representing a little over 4.25% of the share capital and 4.39% of the voting rights.

- As part of the refinancing of its EMTN program, Veolia Environnement carried out three bond issues: a €1,250 million bond issue, bearing annual interest at a fixed rate of 5.25% and maturing on April 24, 2014, a €750 million bond issue, bearing annual interest at a fixed rate of 6.75% and maturing on April 24, 2019, and a €250 million bond issue, bearing annual interest at a fixed rate of 5.70% and maturing in June 29, 2017.

- The Group continued its strategic development and discussions with Caisse des Dépôts aimed at merging its Transportation activities with Transdev in accordance with the proposal announced at the beginning of August 2009. In December 2009, Caisse des Dépôts and Veolia Environnement reached a framework agreement for the merger, which primarily covers the financial structure of the new group, with a view to signature of a final agreement in 2010. The proposed merger of Veolia Transport and Transdev would be carried out by way of the contribution of Veolia Transport and Transdev to a new entity, held 50% by Veolia Environnement, acting as the industrial operator so as to retain transportation as a key component of its environmental services, and 50% by Caisse des Dépôts, acting as long-term strategic shareholder. These discussions form part of the planned future listing of the Group's Transportation business.

As part of its divestiture program, the Group performed the following divestitures in 2009:

- On June 24, 2009, the Environmental Services Division announced that it had entered into exclusive discussions with TFN Group with respect to the sale of Veolia Propreté Nettoyage et Multiservices (VPNM). The sale was completed on August, 26, 2009 for an enterprise value of €111 million.

- On July 6, 2009, Environmental Services Division announced the signature of an agreement relating to the sale of the U.S. incineration activity (Montenay International); the partial sale of activities provided for in the agreement was completed in August 2009 for an enterprise value of €220 million.

- On August 12, 2009 Dalkia announced the signature of an agreement for the sale of its Facilities Management activities in the United Kingdom for a total amount of €90 million (Group share) as of December 31, 2009.

    - On December 1, 2009 Veolia Environnement announced the completion of the sale of Veolia Cargo to Transport Ferroviaire Holding (SNCF Group) for its activities in Germany, the Netherlands and Italy and to Europorte (Eurotunnel group) for its activities in France. The divestiture of Veolia Cargo at its enterprise value amounted to €94 million.

- On November 9, 2009, the Group announced the signature of a partnership between Dalkia and CEZ, the number-one electricity producer in the Czech Republic, to develop an industrial cooperation and potentially leading to asset transfers. As a first step, CEZ acquired 15% of Dalkia Czech Republic for €123 million (100% value), subject to obtaining the necessary competition authorizations. This transaction had not been completed as of December 31, 2009.

- On December 22, 2009, the Water Division reviewed certain economic aspects (financial restructuring) and the governance rules of its partnership with Mubadala Development Company. This operation resulted in a €189 million reduction in Group debt as of December 31, 2009.

- In the fourth quarter of 2009, the Group finalized the sale of a minority interest in Compagnie Méridionale de Navigation for €45 million.

- Finally, in December 2009 the EBRD acquired an additional 6.88% interest in Veolia Voda (through a reserved share capital increase), the entity grouping together all Water Division operating activities in Central Europe, for €70 million.

- The Group is currently in exclusive discussions with RATP for the sale of its Transportation activities in the United Kingdom (corresponding to an autonomous cash-generating unit), Switzerland and a limited number of contracts in France, as part of the merger with Transdev, in accordance with the proposal announced in August 2009. Activities in the United Kingdom were reclassified in discontinued operations in the Group financial statements as of December 31, 2009.

- Finally, the Group decided to sell its Renewable Energies activities in the Energy Services Division during 2010. These activities represent a largely independent uniform unit (“cash-generating unit”) as defined by IFRS 5 and have therefore been classified in discontinued operations in the Group financial statements as of December 31, 2009.

4 Goodwill

Goodwill breaks down as follows:

(€ million)	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Gross	7,104.9	7,211.2	7,013.3
Impairment losses	(480.3)	(487.9)	(100.1)
Net	6,624.6	6,723.3	6,913.2

The main goodwill balances in net carrying amount by cash-generating unit (amounts in excess of €100 million as of December 31, 2009) are as follows:

(€ million)	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Water - Distribution France	743.3	743.2	760.5
Environmental Services – United Kingdom	690.0	644.3	824.2
Environmental Services North America Solid Waste	591.3	610.8	567.8
Environmental Services - Germany	402.1	397.8	748.2
Dalkia France	337.8	338.5	342.8
Water Solutions & Technologies	280.3	245.8	206.1
Water – China	240.4	247.5	145.7
Environmental Services France Solid Waste	238.5	272.4	150.0
Water – United Kingdom	222.7	197.4	245.3
Water – Czech Republic	219.1	216.4	220.6
Dalkia Italy	185.2	184.9	139.9
Transportation - United States	165.5	175.3	137.0
Energy Services – United States	147.4	152.6	139.6
Transportation – Passenger services France	143.7	136.2	117.7
Water Germany (excl. Berlin)	137.7	137.7	138.8
Water – Berlin	134.4	134.4	134.4
Veolia Energy Services – Poland	114.5	111.5	71.7
Transportation Sweden, Norway, Finland	114.4	104.8	124.5
Environmental Services - Marius Pedersen	102.2	100.9	90.0
Goodwill balances > €100 million as of December 31, 2009	5,210.5	5,152.4	5,308.4
Goodwill balances < €100 million	1,414.1	1,570.9	1,608.4
Goodwill	6,624.6	6,723.3	6,913.2

Goodwill balances of less than €100 million break down by division as follows:

Goodwill balances < €100 million (€ million)	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Water	275.5	325.3	357.0
Environmental Services	654.2	710.5	669.1
Energy Services	362.9	343.6	404.1
Transportation	114.0	135.0	177.5
Other	7.5	56.5	0.7
Total	1,414.1	1,570.9	1,608.4

As of December 31, 2009, accumulated impairment losses totaled €480.3 million and mainly concerned the Environmental Services Division in Germany (€343 million) and the Transportation Division in the Netherlands and Belgium (€38 million) and in Scandinavia (€64 million).

No material impairment losses were recognized in the Group financial statements as of December 31, 2009.

Movements in the net carrying amount of goodwill by division are as follows:

(€ million)	As of December 31, 2008	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Other	As of December 31, 2009
Water	2,247.7	10.0	14.4		(18.8)	2,253.3
Environmental Services	2,736.7	(84.1)	49.2		(23.4)	2,678.4
Energy Services	1,131.1	12.8	5.0	(1.0)	-	1,147.9
Transportation	551.3	(16.5)	11.6	(5.5)	(3.3)	537.6
Other	56.5	(16.3)	(0.6)	-	(32.2)	7.4
Goodwill	6,723.3	(94.1)	79.6	(6.5)	(77.7)	6,624.6

Changes in the consolidation scope primarily concern divestitures in 2009 (Dalkia UK in the Energy Services Division, VPNM in the Environmental Services Division and Freight activities in the Transportation Division) and the acquisition of Digismart in the Energy Services Division.

The main acquisitions of the year are presented in Note 31, “Main acquisitions”, and the divestitures are presented in Note 24, “Net income from discontinued operations”.

No material amendments were made to the opening balance sheets of 2008 acquisitions, including Tianjin Shibei WCO, Bartin Recycling and Praterm. The 12-month periods commencing the acquisition dates during which the Group can finalize the accounting recognition of the business combinations, pursuant to IFRS 3, had expired as of December 31, 2009.

Foreign exchange translation gains and losses are primarily due to the depreciation of the U.S. dollar and the appreciation of the pound sterling against the euro in the amount of -€37.2 million and €65.5 million respectively.

Other movements primarily consist of the reclassification of goodwill to “Assets classified as held for sale” in the amount of -€77.7 million, primarily in the Environmental Services Division, the Renewable Energies sector and certain French subsidiaries under joint control in the Water Division.

Impairment tests as of December 31, 2009:

Veolia Environnement performs systematic annual impairment tests in respect of goodwill and other intangible assets with an indefinite useful life. More frequent tests are performed where there is indication of loss in value in accordance with the procedures set out in Note 1.11.

Veolia Environnement Group has 147 cash-generating units as of December 31, 2009.

Discount rates used in 2009 reflect the country or geographical area of the cash-generating unit, in accordance with the criteria set out in Notes 1.11 and 2. The discount rates for the main geographical areas in 2009 were as follows:

- Ø France: 6.8%
- Ø United States: 6.8%
- Ø Germany: 6.8%
- • United Kingdom: 7.0%
- • China: 8.4%

Similarly, perpetual growth rates used in 2009 to determine terminal values reflect the country or geographical area of the cash-generating unit, in accordance with the criteria set out in Notes 1.11. Average perpetual growth rates for the main geographical areas in 2009 were as follows:

- Ø France: 1.5%
- Ø United States: 2.1%
- Ø Germany: 1.5%
- • United Kingdom: 1.7%
- • China: 1.9%

As in 2008 and given the current economic climate, impairment tests were performed based on the 2010 budget for all Group cash-generating units: the reduction in cash flows in the 2010 budget prepared at the end of 2009, of over 10% compared with 2010 figures in the long-term plan, led the Group to review its business plans for two cash-generating units – Italy in the Energy Services Division and Spain in the Transportation Division.

Impairment tests did not lead to the recognition of any material impairments of goodwill in 2009.

Sensitivity of impairment tests:

A sensitivity analysis was performed on impairment tests, assuming a 1% increase in the discount rate and a 1% decrease in the perpetual growth rate.

A 1% increase in the discount rate would generate recoverable values for invested capital below the net carrying amount of certain cash-generating units. This reduction would be approximately -€291 million (including -€129 million for the "Energy Services - United States" cash-generating unit, -€62 million for the "Dalkia - Italy" cash-generating unit and -€31 million for the "Environmental Services – Italy" cash-generating unit).

A 1% decrease in perpetual growth rates would generate recoverable values for invested capital below the net carrying amount of certain cash-generating units. . This reduction would be approximately -€237 million (including -€106 million for the "Energy Services - United States" cash-generating unit, -€43 million for the "Dalkia - Italy" cash-generating unit and -€24 million for the "Environmental Services – Italy" cash-generating unit).

Recap: Movements in the net carrying amount of goodwill during 2008 are as follows:

(€ million)	As of December 31, 2007	Changes in consolidation scope	Foreign exchange translation	Impairment losses	Other	As of December 31, 2008
Water	2,208.2	140.9	(42.6)	-	(58.8)	2,247.7
Environmental Services	3,049.5	211.3	(182.4)	(343.0)	1.3	2,736.7
Energy Services	1,098.1	58.4	(25.4)	-	-	1,131.1
Transportation	556.7	67.2	(17.5)	(55.3)	0.2	551.3
Other	0.7	53.2	2.6	-	-	56.5
Goodwill	6,913.2	531.0	(265.3)	(398.3)	(57.3)	6,723.3

In 2008, changes in consolidation scope primarily concerned the following acquisitions and disposals:

- Water: Acquisition of Biothane Group (Netherlands and USA) for €42.7 million, acquisition of a joint investment in Tianjin Shibei WCO (China) for €37.7 million.
- Environmental Services: Acquisition of Bartin Recycling Group (France) for €121.6 million.
- Energy Services:
  - Acquisition of Praterm Group (Poland) for €51.3 million and GEFI and Emicom within Siram Spa (Italy) for €44.9 million,
  - Divestiture of Clemessy and Crystal activities for -€76.6 million.
- Transportation: Acquisition of Rail4Chem (Germany) for €15.6 million and various companies in the United States for €23.5 million.
- Other: Acquisition of Ridgeline (United States) for €45.0 million;

Foreign exchange translation gains losses are primarily due to the depreciation of the pound sterling and the appreciation of the U.S. dollar against the euro in the amount of -€272.2 million and €62.2 million respectively.

Impairment losses recognized in 2008 total -€398.3 million and include -€343.0 million in respect of impairment of the goodwill of the Environmental Services Division Germany cash-generating unit and -€55.3 million in respect of impairment of the goodwill of the Transportation Division "Other European" cash-generating unit, corresponding to activities in the Netherlands, the United Kingdom and Belgium.

Other movements primarily consist of the reclassification of the assets of certain French subsidiaries under joint control in the Water Division, to "Assets classified as held for sale" in the amount of -€58.8 million.

5 Concession intangible assets

Movements in the net carrying amount of concession intangible assets during 2009 are as follows:

(€ million)	As of December 31, 2008	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2009
Concession intangible assets, gross	4,983.9	373.9	(32.6)	-	-	(146.1)	(40.7)	(9.3)	5,129.1
Amortization & impairment losses	(1,346.2)	-	30.8	(14.2)	(243.5)	29.4	3.9	35.5	(1,504.3)
Concession intangible assets, net	3,637.7	373.9	(1.8)	(14.2)	(243.5)	(116.7)	(36.8)	26.2	3,624.8

Additions concern the Water Division in the amount of €286.4 million, the Energy Services Division in the amount of €57.7 million and the Environmental Services Division in the amount of €21.6 million.

Changes in consolidation scope are mainly the result of a change in consolidation method (from full to proportionate consolidation) of the Water Division in North Africa and the Middle East for -€195.6 million and the entry of several entities into the consolidation scope under the Shenzhen contract in the Water Division in China for €41.9 million.

Foreign exchange translation gains and losses are primarily due to the depreciation of the Chinese renminbi yuan and the appreciation of the pound sterling against the euro in the amount of -€46.8 million and €16.8 million respectively.

Other movements primarily consist of the reclassification of non-current operating financial assets following the extension of a concession arrangement in the Water Division in the amount of €21.1 million and the reclassification of the assets of certain French subsidiaries under joint control in the Water Division to “Assets classified as held for sale” in the amount of -€15.4 million.

Concession intangible assets by division break down as follows:

	As of December 31, 2009				
(€ million)	Gross carrying amount	Amortization & impairment losses	Net carrying amount	Net carrying amount as of December 31, 2008	Net carrying amount as of December 31, 2007
Water	3,787.1	(942.3)	2,844.8	2,892.0	2,336.1
Environmental Services	429.7	(166.5)	263.2	259.1	242.7
Energy Services	858.5	(378.5)	480.0	453.6	388.8
Transportation	-	-	-	-	-
Other	53.8	(17.0)	36.8	33.0	21.6
Concession intangible assets	5,129.1	(1,504.3)	3,624.8	3,637.7	2,989.2

Recap: Movements in the net carrying amount of concession intangible assets during 2008 are as follows:

(€ million)	As of December 31, 2007	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2007
Concession intangible assets, gross	4,191.9	400.8	(14.9)	-	-	362.8	77.0	(33.7)	4,983.9
Amortization & impairment losses	(1,202.7)	-	14.2	0.5	(200.5)	(13.6)	(2.2)	58 .1	(1,346.2)
Concession intangible assets, net	2,989.2	400.8	(0.7)	0.5	(200.5)	349.2	74.8	24.4	3,637.7

Additions concern the Water Division in the amount of €274.4 million, the Energy Services Division in the amount of €96.1 million and the Environmental Services Division in the amount of €26.6 million.

Changes in consolidation scope mainly concern the external growth of the Water Division in the amount of €307.9 million (mainly in China, the United Kingdom and France).

Foreign exchange translation gains mainly concern the Water Division (€92.3 million), following the appreciation of the Chinese renminbi yuan and the depreciation of the pound sterling against the euro.

Other movements primarily consist of the reclassification of the assets of certain French subsidiaries under joint control in the Water Division to “Assets classified as held for sale” in the amount of -€11.7 million.

6 Other intangible assets

Other intangible assets break down as follows:

(€ million)	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Intangible assets with an indefinite useful life, net	70.0	99.5	82.8
Intangible assets with a definite useful life gross	3,271.5	3,203.9	3,168.6
Amortization and impairment losses	(1,903.7)	(1,768.2)	(1,545.0)
Intangible assets with a definite useful life net	1,367.8	1,435.7	1,623.6
Intangible assets, net	1,437.8	1,535.2	1,706.4

Movements in the net carrying amount of other intangible assets during 2009 are as follows:

(€ million)	As of December 31, 2008	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2009
Intangible assets with an indefinite useful life, net	99.5	1.4	(0.0)	(1.1)	-	12.6	(1.7)	(40.7)	70.0
Fees paid to local authorities	576.5	13.8	(0.4)	(1.3)	(58.9)	(13.2)	(3.1)	(11.7)	501.7
Purchased contractual rights	398.9	0.1	(0.0)	(12.5)	(51.6)	(1.4)	3.6	(14.5)	322.6
Purchased software	143.9	45.4	(0.4)	(0.4)	(52.8)	(1.0)	3.1	4.4	142.2
Purchased customer portfolios	78.2	-	-	-	(10.8)	(3.4)	1.3	(0.0)	65.3
Other purchased intangible assets	203.1	18.8	(1.3)	(6.7)	(24.6)	5.7	1.5	(8.5)	188.0
Other internally-developed intangible assets	35.1	56.4	(0.1)	(0.1)	(10.7)	(0.9)	0.2	68.1	148.0
Intangible assets with a definite useful life net	1,435.7	134.5	(2.2)	(21.0)	(209.4)	(14.2)	6.6	37.8	1,367.8
Other intangible assets	1,535.2	135.9	(2.2)	(22.1)	(209.4)	(1.6)	4.9	(2.9)	1,437.8

Intangible assets with an indefinite useful life are primarily trademarks.

Fees paid to local authorities in respect of public service contracts totaled €501.7 million as of December 31, 2009, including €494.8 million for the Water Division. The amortization of fees paid at the beginning of concession arrangements, calculated over the contract term, totaled -€58.9 million in 2009, including -€55.8 million for the Water Division.

Other movements primarily consist of the reclassification of the assets of the Renewable Energies activity and of certain French subsidiaries under joint control in the Water Division to “Assets classified as held for sale” in the amount of -€29.2 million.

Recap: Movements in the net carrying amount of other intangible assets during 2008 are as follows:

(€ million)	As of December 31, 2007	Additions	Disposals	Impairment losses	Amortization	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2008
Intangible assets with an indefinite useful life, net	82.8	34.9	0.1	(0.9)		(12.2)	1.6	(6.8)	99.5
Fees paid to local authorities	634.5	8.8	(0.1)		(60.8)	(1.5)	11.5	(15.9)	576.5
Purchased contractual rights	595.9	-	-	(62.6)	(71.4)	(8.4)	(9.0)	(45.6)	398.9
Purchased software	131.4	55.1	(0.5)		(51.4)	(4.3)	(1.7)	15.3	143.9
Purchased customer portfolios	50.4	0.8	-		(13.7)	35.3	4.8	0.6	78.2
Other purchased intangible assets	181.7	31.2	(0.8)	(0.7)	(23.3)	31.0	(6.3)	(9.7)	203.1
Other internally-developed intangible assets	29.7	9.5	(0.2)		(6.1)	0.1	(0.2)	2.3	35.1
Intangible assets with a definite useful life net	1,623.6	105.4	(1.6)	(63.3)	(226.7)	52.2	(0.9)	(53.0)	1,435.7
Other intangible assets	1,706.4	140.3	(1.5)	(64.2)	(226.7)	40.0	0.7	(59.8)	1,535.2

Fees paid to local authorities in respect of public service contracts totaled €576.5 million as of December 31, 2008, including €569.7 million for the Water Division. The amortization of fees paid at the beginning of concession arrangements, calculated over the contract term, totaled €60.8 million in 2008, including €59.4 million for the Water Division.

Changes in consolidation scope impacting "Purchased customer portfolios" primarily concern external growth in the Water Division (€16.7 million) and the Environmental Services Division (€19.8 million).

Changes in consolidation scope impacting "Other purchased intangible assets" primarily concern acquisitions in the Water Division.

Impairment losses recognized in the year total -€64.2 million and include -€62.6 million in respect of impairment of the intangible assets of the Environmental Services Division Germany cash-generating unit.

Other movements primarily consist of the reclassification of the assets of certain French subsidiaries under joint control in the Water Division to "Assets classified as held for sale" in the amount of -€12.4 million.

7 Property, plant and equipment

Movements in the net carrying amount of property, plant and equipment during 2009 are as follows:

(€ million)	As of December 31, 2008	Additions	Disposals	Impairment losses	Depreciation	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2009
Property, plant and equipment, gross	19,491.5	1,598.7	(823.8)	-	-	(173.1)	315.6	(418.7)	19,990.2
Depreciation and impairment losses	(10,064.4)	-	602.5	(14.2)	(1,362.6)	126.6	(157.5)	261.8	(10,607.8)
Property, plant and equipment, net	9,427.1	1,598.7	(221.3)	(14.2)	(1,362.6)	(46.5)	158.1	(156.9)	9,382.4

Additions concern the Water Division in the amount of €330.4 million, the Environmental Services Division in the amount of €486.4 million, the Energy Services Division in the amount of €326.5 million and the Transportation Division in the amount of €423 million.

Disposals net of impairment losses and depreciation of -€221.3 million, mainly concern the Water Division in the amount of -€30.2 million, the Environmental Services Division in the amount of -€30.9 million and the Transportation Division in the amount of -€144.1 million.

Changes in consolidation scope mainly concern the Energy Services Division following the acquisition of Digismart in Estonia (+€47.3 million) and the Transportation Division following the divestiture of the Freight activity (-€124.7 million).

Foreign exchange translation gains and losses are primarily due to the appreciation of the pound sterling against the euro in the amount of €111.4 million, the appreciation of the Australian dollar against the euro in the amount of €53.3 million and the depreciation of the U.S. dollar against the euro in the amount of -€46.5 million.

Other movements consist of the reclassification of assets, and primarily the assets of Dalkia Usti activities (Czech Republic), to “Assets classified as held for sale” in the amount of -€175.6 million.

Property, plant and equipment by division break down as follows:

	As of December 31, 2009				
(€ million)	Gross carrying amount	Depreciation & impairment losses	Net carrying amount	Net carrying amount as of	Net carrying amount as of

				December 31, 2008	December 31, 2007
Water	4,312.8	(2,182.4)	2,130.4	2,024.4	2,250.9
Environmental Services	8,693.7	(5,039.8)	3,653.9	3,838.7	3,638.1
Energy Services	3,178.0	(1,269.0)	1,909.0	1,816.6	1,617.3
Transportation	3,549.9	(1,987.9)	1,562.0	1,631.8	1,603.0
Other	255.8	(128.7)	127.1	115.6	93.9
Property, plant and equipment	19,990.2	(10,607.8)	9,382.4	9,427.1	9,203.2

The breakdown of property, plant and equipment by class of assets is as follows:

	As of December 31, 2009				
(€ million)	Gross carrying amount	Depreciation & impairment losses	Net carrying amount	Net carrying amount as of December 31, 2008	Net carrying amount as of December 31, 2007
Land	1,513.5	(629.4)	884.1	901.0	859.8
Buildings	3,012.6	(1,392.2)	1,620.4	1,543.9	1,660.3
Technical installations, plant and equipment	7,920.9	(4,192.6)	3,728.3	3,638.9	3,499.8
Traveling systems and other vehicles	4,889.1	(2,950.1)	1,939.0	2,041.3	1,954.0
Other property, plant and equipment	2,077.2	(1,441.0)	636.2	643.5	615.9
Returnable assets				-	6.4
Owned property, plant and equipment in progress	576.9	(2.5)	574.4	657.8	604.0
Property, plant and equipment in progress	0.0	(0.0)	0.0	0.7	3.0
Property, plant and equipment	19,990.2	(10,607.8)	9,382.4	9,427.1	9,203.2

Recap: Movements in the net carrying amount of property, plant and equipment during 2008 are as follows:

(€ million)	As of December 31, 2007	Additions	Disposals	Impairment losses	Depreciation	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2008
Property, plant and equipment, gross	18,885.9	1,954.6	(726.2)	-	-	353.4	(945.6)	(30.6)	19,491.5
Depreciation	(9,682.7)	-	580.7	(0.3)	(1,272.2)	(84.3)	402.0	(7.6)	(10,064.4)
Property, plant and equipment, net	9,203.2	1,954.6	(145.5)	(0.3)	(1,272.2)	269.1	(543.6)	(38.2)	9,427.1

Additions concern the Water Division in the amount of €372.6 million, the Environmental Services Division in the amount of €913.7 million, the Energy Services Division in the amount of €301.9 million and the Transportation Division in the amount of €324.7 million.

Disposals net of impairment losses and depreciation of -€145.5 million, mainly concern the Water Division in the amount of -€37.6 million, the Environmental Services Division in the amount of -€27.0 million and the Transportation Division in the amount of -€66.3 million.

Changes in consolidation scope primarily concern the acquisition in the Energy Services Division of the Praterm Group in Poland (€86.9 million) and in the Environmental Services Division of the Bartin Group in France (€43.4 million).

Foreign exchange translation losses mainly concern the depreciation of the pound sterling against the euro in the Water (-€287.8 million) and Environmental Services (-€155.6 million) Divisions.

Other movements primarily consist of the reclassification of the assets of certain French subsidiaries under joint control in the Water Division to "Assets classified as held for sale" in the amount of -€31.5 million.

8 Investments in associates

The principal investments in associates with a value of greater than €10 million as of December 31, 2009 are as follows:

	% control			As of December 31, Share in equity			Share of net income		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Fovarosi Csatomazasi Muvek	25.00%	25.00%	25.00%	91.1	92.3	95.7	0.1	1.3	1.0
Regaz (Gaz de Bordeaux)	24.00%			23.8	-	-	4.0	-	-
Cie Méridionale de Navigation(2)		45.00%	45.00%	-	42.8	34.9	(10.2)	7.9	6.9
Doshion VWS	30.00%	30.00%		16.8	15.8	-	0.4	-	-
TIRU	24.00%	24.00%	24.00%	13.0	11.4	13.1	1.1	0.1	0.1
Cie Méridionale de Participations(2)		45.00%	45.00%	-	12.5	12.5	(0.0)	-	0.1
Berlinwasser China Holding (BWI)	49.00%	49.00%		12.0	6.2	-	0.2	-0.3	-
Stadtereinigung Holtmeyer GmbH	40.00%	40.00%		11.9	12.3	-	(0.4)	1.0	-
Stadtreinigung Dresden GmbH (3)		49.00%	49.00%	-	10.1	9.6	-	1.3	-
Other amounts < €10 million in 2008 and 2009				99.9	108.2	126.3	3.9	7.2	8.8
Investments in associates				268.5	311.6	292.1	(0.9)(1)	18.5(1)	16.9(1)

(1) These amounts include the share of net income of associates realized by Freight and Renewable Energy activities in the process of being sold. Pursuant to IFRS 5, this net income was transferred from “Share of net income of associates” to “Net income from discontinued operations” in the amount of -€2.4 million in 2009, -€1.0 million in 2008 and -€0.2 million in 2007.

(2) Companies sold in 2009

(3) Change in consolidation method (from equity accounting to proportionate consolidation)

Movements in investments in associates in 2009 are as follows:

(€ million)	% control as of December 31, 2009	2008	Net income	Dividend distribution	Foreign exchange translation	Changes in consolidation scope	Other	2008
Fovarosi Csatomazasi Muvek	25.00%	92.2	0.1	-	(1.2)	-	-	91.1
Cie Méridionale de Navigation		42.8	(10.2)	-	-	(32.6)	-	-
Doshion VWS	30.00%	15.8	0.4	-	0.3	0.3	-	16.8
Cie Méridionale de Participations		12.5	(0.0)	-	-	(12.5)	-	-
Stadtereinigung Holtmeyer GmbH	40.00%	12.3	(0.4)	-	-	(0.0)	-	11.9
Berlinwasser ChinaHolding(BWI)	49.00%	6.2	0.2	(0.6)	(1.1)	7.3	-	12.0
TIRU	24.00%	11.4	1.1	-	0.5	-	-	13.0

Regaz (Gaz de Bordeaux)	24.00 %	-	4.0	-	-	19.8	-	23.8
Stadtreinigung Dresden GmbH		10.1	-	-	-	(10.1)	-	-
Other amounts < €10 million in 2008 and 2009		108.2	3.9	(5.4)	(0.3)	(4.9)	(1.6)	99.9
Investments in associates		311.6	(0.9)	(6.0)	(1.8)	(32.7)	(1.6)	268.5

No material amounts were transferred to Assets classified as held for sale in 2007, 2008 or 2009

Summarized financial information for the main investments in associates is as follows (100% of amounts):

(€ million)	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Non-current assets	767.6	696.1	870.8
Current assets	438.2	328.1	310.4
Total assets	1,205.8	1,024.2	1,181.2
Equity attributable to owners of the Company	581.5	559.4	618.7
Equity attributable to non-controlling interests	14.5	(1.1)	0.8
Non-current liabilities	223.3	244.2	325.2
Current liabilities	386.5	221.7	236.5
Total equity and liabilities	1,205.8	1,024.2	1,181.2
Consolidated Income Statement			
Revenue	431.4	456.5	377.6
Operating income	25.8	52.6	31.6
Net income for the year	7.1	34.7	14.9

Recap: Movements in investments in associates during 2008 are as follows:

(€ million)	% control as of December 31, 2008	2007	Net income	Dividend distribution	Foreign exchange translation	Changes in consolidation scope	Other	2008
Fovarosi Csatomazasi Muvek	25.00 %	95.7	1.3	-	(4.7)	-	-	92.3
Cie Méridionale de Navigation	45.00 %	34.9	7.9	-	-	-	-	42.8
Doshion VWS	30.00 %				(0.1)	15.9	-	15.8
Cie Méridionale de Participations	45.00 %	12.5	-	-	-	-	-	12.5
Stadtereinigung Holtmeyer GmbH	40.00 %	-	1.0	-	-	11.3	-	12.3
TIRU	24.00 %	13.1	0.1	-	(0.8)	-	(1.0)	11.4
Stadtreinigung Dresden GmbH	49.00 %	9.6	1.3	(1.0)	-	2.5	(2.3)	10.1
Other amounts < €10 million in 2007 and 2008		126.3	6.9	(6.4)	1.6	(9.5)	(4.5)	114.4
Investments in associates		292.1	18.5 (1)	(7.4)	(4.0)	20.2	(7.8)	311.6

9 Non-consolidated investments

Pursuant to IAS 39, non-consolidated investments are recognized at fair value. Unrealized gains and losses are taken directly to other comprehensive income, except for unrealized losses considered long-term which are expensed in the Consolidated Income Statement.

Movements in non-consolidated investments during 2009 are as follows:

(€ million)	As of December 31, 2008	Additions	Disposals	Changes in consolidation scope	Fair value adjustments	Impairment losses (1)	Other	As of December 31, 2009
Non-consolidated investments	202.8	14.0	(8.4)	(46.3)	9.4	(2.5)	5.6	174.6

(1) Impairment losses are recorded in financial income and expenses.

As of December 31, 2009, no investment line other than Méditerranea delle Acque exceeds €20 million. The value of this line is €36 million as of December 31, 2009, including fair value adjustments of €9.7 million and the percentage interest is 17.1%.

Changes in consolidation scope primarily concern the first-time consolidation of Regaz (Gaz de Bordeaux).

Recap: non-consolidated investments break down as follows as of December 31, 2008:

(€ million)	% holding as of December 31, 2008	Gross carrying amount as of December 31, 2008	Impairment losses (2)	Fair value adjustments	Net carrying amount as of December 31, 2008	Net carrying amount as of December 31, 2007
Méditerranea delle Acque (1)	17.1 %	26.3	-	2.0	28.3	55.8
Avacon	-	-	-	-	-	26.6
Domino Sanepar	-	-	-	-	-	20.6
Gaz de Bordeaux (1)	24.0 %	17.5	-	11.7	29.2	20.4
Net carrying amount per unit < €20 million in 2008 and 2007		163.2	-19.7	1.8	145.3	132.7
Non-consolidated investments		207.0	-19.7	15.5	202.8	256.1

(1) Investment not consolidated as not satisfying the "significant influence" criteria.
(2) Impairment losses recognized in the period are recorded in financial income and expenses.

Recap: Movements in non-consolidated investments during 2008 are as follows:

(€ million)	As of December 31, 2007	Additions	Disposals	Changes in consolidation scope	Fair value adjustments	Impairment losses (1)	Other	As of December 31, 2008
Non-consolidated investments	256.1	45.4	(49.5)	(30.2)	(18.6)	1.2	(1.6)	202.8

(1) Impairment losses recognized in the period are recorded in financial income and expenses.

10 Non-current and current operating financial assets

Operating financial assets comprise financial assets resulting from the application of IFRIC 12 on accounting for concession arrangements and from the application of IFRIC 4 (see Note 1.21).

Movements in the net carrying amount of non-current and current operating financial assets during 2009 are as follows:

(€ million)	As of December 31, 2008	New financial assets	Repayments/ disposals	Impairment losses (1)	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2009
Gross	5,311.5	467.7	(7.4)	-	(94.9)	34.6	(365.4)	(21.1)	5,325.0
Impairment losses	(12.6)	-	-	(37.4)	-	0.2	-	-	(49.8)
Non-current operating financial assets	5,298.9	467.7	(7.4)	(37.4)	(94.9)	34.8	(365.4)	(21.1)	5,275.2
Gross	452.3	7.8	(447.8)	-	(6.0)	3.5	365.4	4.8	380.0
Impairment losses	-	-	-	(3.4)	-	-	-	-	(3.4)
Current operating financial assets	452.3	7.8	(447.8)	(3.4)	(6.0)	3.5	365.4	4.8	376.6
Non-current and current operating financial assets	5,751.2	475.5	(455.2)	(40.8)	(100.9)	38.3	-	(16.3)	5,651.8

(1) Impairment losses are recorded in operating income

The principal new operating financial assets in 2009 mainly concern:

- Ø the Water Division and in particular projects in Berlin (€119.6 million);
- Ø the Energy Services Division and in particular cogeneration plants (€73.9 million).

The principal repayments of operating financial assets in 2009 concern:

- Ø the Water Division and in particular projects in Berlin (-€140.1 million);
- Ø the Energy Services Division and in particular cogeneration plants (-€132.7 million).

Foreign exchange translation gains on non-current operating financial assets mainly concern the Environmental Services Division (€18.6 million) and the Water Division (€8.7 million), following the appreciation of the pound sterling and the Korean won against the euro.

Changes in consolidation scope mainly concern the sale of incineration activities in the United States by the Environmental Services Division in the amount of -€41.3 million and changes in consolidation method (from full to proportionate consolidation) of the Water Division in North Africa and the Middle East in the amount of -€59.1 million.

Impairment losses mainly concern the Environmental Services Division following the impairment of a contract in Italy in the amount of €38.6 million (including €35.2 million in non-current).

The breakdown of operating financial assets by division is as follows:

	As of December 31,								
	Non-current			Current			Total		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Water	3,870.3	3,851.0	3,719.4	188.8	232.2	165.1	4,059.1	4,083.2	3,884.5
Environmental Services	711.8	768.4	858.1	42.8	68.6	44.3	754.6	837.0	902.4
Energy Services	528.4	562.0	585.4	126.0	117.4	126.9	654.4	679.4	712.3
Transportation	86.7	71.6	104.3	18.7	33.9	18.7	105.4	105.5	123.0
Other	78.0	45.9	5.2	0.3	0.2	0.2	78.3	46.1	5.4
Operating financial assets	5,275.2	5,298.9	5,272.4	376.6	452.3	355.2	5,651.8	5,751.2	5,627.6

IFRIC 12 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than five years	Total
Water	165.1	359.0	367.9	2, 723.6	3,615.6
Environmental Services	40.9	107.4	116.4	461.1	725.8
Energy Services	5.2	26.6	7.5	30.0	69.3
Transportation	18.7	37.0	12.2	24.6	92.5
Other	0.3	-	-	4.7	5.0
Total	230.2	530.0	504.0	3, 244.0	4,508.2

IFRIC 4 operating financial assets maturity schedule:

(€ million)	1 year	2 to 3 years	4 to 5 years	More than five years	Total
Water	23.7	54.0	65.1	300.7	443.5
Environmental Services	1.9	8.5	9.1	9.3	28.8
Energy Services	120.9	182.2	74.3	207.7	585.1
Transportation	-	3.6	5.9	3.4	12.9
Other	-	-	-	73.3	73.3
Total	146.5	248.3	154.4	594.4	1,143.6

Recap: Movements in the net carrying amount of non-current and current operating financial assets during 2008 are as follows:

(€ million)	As of December 31, 2007	New financial assets	Repayments/ disposals	Impairment losses	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2008
Gross	5,278.4	551.0	(3.2)	-	87.8	(129.6)	(453.2)	(19.7)	5,311.5
Impairment losses	(6.0)	-	-	(6.4)	-	(0.2)	-	-	(12.6)
Non-current operating financial assets	5,272.4	551.0	(3.2)	(6.4)	87.8	(129.8)	(453.2)	(19.7)	5,298.9
Gross	355.2	1.7	(355.0)	-	5.4	(8.7)	453.2	0.5	452.3
Impairment losses	-	-	-	-	-	-	-	-	-
Current operating financial assets	355.2	1.7	(355.0)	-	5.4	(8.7)	453.2	0.5	452.3
Non-current and current operating financial assets	5,627.6	552.7	(358.2)	(6.4)	93.2	(138.5)	-	(19.2)	5,751.2

The principal new operating financial assets in 2008 mainly concern:

- Ø the Water Division and in particular projects in Berlin (€113.9 million), the Oman Sur BOT contract (€63.4 million) and the Brussels Aquiris contract (€40.2 million);
- Ø the Energy Services Division and in particular cogeneration plants (€58.2 million).

The principal repayments of operating financial assets in 2008 concern:

- Ø the Water Division and in particular projects in Berlin (-€135.3 million);
- Ø the Energy Services Division and in particular cogeneration plants (-€96.6 million).

Foreign exchange translation losses mainly concern the Water Division (-€45.0 million) and the Environmental Services Division (-€85.5 million), following the depreciation of the Korean won, the Chinese renminbi yuan and the pound sterling against the euro.

Changes in consolidation scope mainly concern the Water Division and the acquisition of a joint investment in Veolia Israel (Ashkelon contract) in the amount of €98.4 million.

11 Other non-current and current financial assets

(€ million)	Non-current 2009	Non-current 2008	Non-current 2007	Current 2009	Current 2008	Current 2007	Total 2009	Total 2008	Total 2007
Gross	774.8	803.0	572.6	195.8	283.3	174.1	970.6	1,086.3	746.7
Impairment losses	(73.5)	(63.4)	(57.6)	(31.9)	(27.9)	(21.3)	(105.4)	(91.2)	(78.9)
Financial assets in loans and receivables	701.3	739.6	515.0	163.9	255.4	152.8	865.2	995.0	667.9
Other financial assets	52.6	77.7	231.0	53.8	66.0	177.2	106.4	143.7	408.2
Total other financial assets, net	753.9	817.3	746.0	217.7	321.4	330.0	971.6	1,138.7	1,076.1

As of December 31,

11.1 Movements in other non-current financial assets

Movements in the value of other non-current financial assets during 2009 are as follows:

(€ million)	As of December 31, 2008	Additions	Repayments/ disposals	Changes in consolidation scope	Impairment losses (1)	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2009
Gross	803.0	50.7	(68.6)	31.2	-	3.2	(14.7)	(30.0)	774.8
Impairment losses	(63.4)	-	-	(0.1)	(9.9)	2.0	0.1	(2.2)	(73.5)
Non-current financial assets in loans and receivables	739.6	50.7	(68.6)	31.1	(9.9)	5.2	(14.6)	(32.2)	701.3
Other non-current financial assets	77.7	10.9	(4.5)	(8.2)	(0.5)	2.0	(3.2)	(21.6)	52.6
Total Other non-current financial assets, net	817.3	61.6	(73.1)	22.9	(10.4)	7.2	(17.8)	(53.8)	753.9

(1) Impairment losses are recorded in financial income and expenses.

Non-current financial assets in loans and receivables

Repayments mainly correspond to the change in the non-Group portion of the loan to Dalkia International for €43 million.

Changes in consolidation scope are mainly the result of a change in consolidation method (from full to proportionate consolidation) of the Water Division in North Africa and the Middle East for €48.4 million.

Other movements concern the reclassification of balances in “Assets classified as held for sale” in the amount of -€15.4 million, mainly in the Transportation Division.

As of December 31, 2009, the principal non-current financial assets in loans and receivables primarily correspond to the non-Group portion of loans granted to companies consolidated on a proportionate basis for €450.4 million (mainly Dalkia International and its subsidiaries).

Other non-current financial assets
Other non-current financial assets are classified as “Available-for-sale assets” in accordance with the principles set out in Note 1.15.2.

Other movements mainly concern the transfer of financial assets hedging pension obligations to the new operator, following the loss of a contract in Melbourne by the Transportation Division.

Recap: movements in the value of other non-current financial assets during 2008 are as follows:

(€ million)	As of December 31, 2007	Additions	Repayments/ disposals	Changes in consolidation scope	Impairment losses (1)	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2008
Gross	572.6	262.0	(30.6)	18.2	-	(20.0)	(6.6)	7.4	803.0
Impairment losses	(57.6)	-	-	0.3	(3.4)	(3.0)	-	0.3	(63.4)
Non-current financial assets in loans and receivables	515.0	262.0	(30.6)	18.5	(3.4)	(23.0)	(6.6)	7.7	739.6
Other non-current financial assets	231.0	35.5	(10.3)	(33.0)	(1.9)	(7.6)	-	(136.0)	77.7
Total Other non-current financial assets, net	746.0	297.5	(40.9)	(14.5)	(5.3)	(30.6)	(6.6)	(128.3)	817.3

(1) Impairment losses are recorded in financial income and expenses.

Non-current financial assets in loans and receivables
Additions mainly correspond to the change in the non-Group portion of the loan to Dalkia International for €208.6 million.

As of December 31, 2008, the principal non-current financial assets in loans and receivables primarily correspond to the non-Group portion of loans granted to companies consolidated on a proportionate basis for €434.2 million (Dalkia International and its subsidiaries).

Other non-current financial assets
Other non-current financial assets are classified as “Available-for-sale assets” in accordance with the principles set out in Note 1.15.2.

Other movements mainly concern the use of the investment placed in an escrow account in 2007, in the amount of €94.7 million, on the acquisition of Tianjin Shibei shares in China (Water Division).

11.2 Movements in current financial assets

Movements in other current financial assets during 2009 are as follows:

(€ million)	As of December 31, 2008	Changes in business	Changes in consolidation scope	Fair value adjustments	Impairment losses (1)	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2009
Gross	283.3	(141.3)	15.0	-	-	0.1	14.6	24.1	195.8
Impairment losses	(27.9)	-	0.1	-	(6.1)	0.1	(0.2)	2.1	(31.9)
Current financial assets in loans and receivables	255.4	(141.3)	15.1	-	(6.1)	0.2	14.4	26.2	163.9
Other current financial assets	66.0	3.7	(0.7)	(0.2)	(0.4)	(0.5)	3.2	(17.3)	53.8
Total other current financial assets, net	321.4	(137.6)	14.4	(0.2)	(6.5)	(0.3)	17.6	8.9	217.7

(1) Impairment losses are recorded in financial income and expenses.

The accounting treatment of other current financial assets in loans and receivables complies with the required treatment of loans and receivables as defined by IAS 39.

Other financial assets are treated as available-for-sale assets for accounting purposes.

Other net current financial assets as of December 31, 2009 of €217.7 million primarily comprise the pre-financing of assets in the Transportation Divisions for €62.3 million.

Recap: movements in other current financial assets during 2008 are as follows:

(€ million)	As of December 31, 2007	Changes in business	Changes in consolidation scope	Fair value adjustments	Impairment losses (1)	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2008
Gross	174.1	90.7	(8.4)	-	-	1.3	6.6	19.0	283.3
Impairment losses	(21.3)	-	(0.3)	-	(4.4)	-	-	(1.9)	(27.9)
Current financial assets in loans and	152.8	90.7	(8.7)	-	(4.4)	1.3	6.6	17.1	255.4

receivables									
Other current financial assets	177.2	6.9	(12.4)	(0.3)	(3.4)	(5.6)	-	(96.4)	66.0
Total other current financial assets, net	330.0	97.6	(21.1)	(0.3)	(7.8)	(4.3)	6.6	(79.3)	321.4

(1) Impairment losses are recorded in financial income and expenses.

Other current financial assets as of December 31, 2008 of €321.4 million primarily comprise loans granted to non-consolidated companies in the Water division of €42.2 million, funds placed in an escrow account with a view to acquisitions in the Water and Energy Services Divisions of €64.7 million and pre-financing of assets in the Transportation Division of €122.8 million.

12 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities during 2009 are as follows:

(€ million)	As of December 31, 2008	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2009
Deferred tax assets, gross	2,150.2	165.3	9.2	(30.8)	3.2	26.3	2,323.4
Deferred tax assets not recognized	(570.7)	(71.7)	2.5	25.7	(6.5)	(81.4)	(702.1)
Deferred tax assets, net	1,579.5	93.6	11.7	(5.1)	(3.3)	(55.1)	1,621.3
Deferred tax liabilities	1,936.0	30.4	(0.1)	(15.3)	20.2	(20.0)	1,951.2

As of December 31, 2009, the tax group in the United States has ordinary tax losses carried forward, relating to the restructuring of Water businesses in 2006 and associated with losses incurred by the former activities of U.S. Filter. These tax losses, which may exceed U.S.$4 billion, are currently being reviewed by the U.S. tax authorities, at the request of the company, which considers the validity of these tax losses to be established, based on external appraisals. A deferred tax asset of U.S.$407 million (€283 million) is recognized in the Consolidated Statement of Financial Position in respect of these tax losses as of December 31, 2009, compared to U.S.$434 million (€312 million) as of December 31, 2008.

This decrease is mainly due to the sale of incineration activities in the USA which decreased the future taxation of the Group (€64 million), partially offset by the recognition of additional deferred tax assets of €43 million in respect of other activities, enabled by the tax schedule.

Conversely, the French tax group offset tax losses brought forward and previously capitalized in the amount of €46 million.

Changes in business through equity mainly include the tax effect of fair value adjustments and actuarial gains and losses.

Changes in consolidation scope mainly concern the sale of VPNM in the Environmental Services Division in the amount of -€2.8 million in gross deferred tax assets and the sale of Freight activities in the Transportation Division in the amount of -€8.5 million in liabilities.

Foreign exchange translation gains and losses are mainly due to fluctuations in the U.S. dollar and the pound sterling against the euro.

Other movements are due to the impact on the U.S. tax group of the sale of incineration activities in the United States in the amount of -€64.8 million and the reclassification of certain subsidiaries in “Assets classified as held for sale” and “Liabilities directly associated with assets classified as held for sale”. The deferred tax assets and liabilities of these subsidiaries were reclassified in the amount of -€12.5 million and - €31.8 million respectively.

Deferred tax assets and liabilities break down by nature as follows:

(€ million)	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Deferred tax assets			
Tax losses	976.2	895.3	851.0
Provisions and impairment losses	401.6	368.4	374.1
Employee benefits	219.3	187.0	134.6
Financial instruments	159.0	142.5	106.0
Operating financial assets	112.5	106.1	107.5
Fair value remeasurement of assets purchased	65.8	79.3	88.5
Foreign exchange translation	8.5	17.9	8.0
Finance leases	34.5	34.2	31.4
Intangible assets and Property, plant and equipment	28.7	21.8	20.5
Other	317.3	297.7	315.9
Deferred tax assets, gross	2,323.4	2,150.2	2,037.5
Deferred tax assets not recognized	(702.1)	(570.7)	(569.4)
Recognized deferred tax assets	1,621.3	1,579.5	1,468.1

(€ million)	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Deferred tax liabilities			
Intangible assets and Property, plant and equipment	799.2	676.6	662.0
Fair value remeasurement of assets purchased	245.2	276.4	310.1
Operating financial assets	192.5	191.5	187.1
Financial instruments	91.2	89.2	48.4
Finance leases	88.9	76.1	18.9
Provisions	47.1	56.8	52.9
Foreign exchange translation	11.7	38.9	23.0
Employee benefits	36.9	19.0	4.3
Other	438.5	511.5	488.0
Deferred tax liabilities	1,951.2	1,936.0	1,794.7

Deferred tax assets and liabilities break down by destination as follows:

(€ million)	As of December 31, 2009	As of December 31, 2008	As of December 31, 2007
Deferred tax assets, net			
Deferred tax assets on net income	1,471.5	1,433.8	1,400.5
Deferred tax assets on reserves	149.9	145.7	67.6
Deferred tax assets, net	1,621.3	1,579.5	1,468.1
Deferred tax liabilities			
Deferred tax liabilities on net income	1,900.5	1,876.8	1,755.1

Deferred tax liabilities on reserves	50.7	59.2	39.6
Deferred tax liabilities	1,951.2	1,936.0	1,794.7

The expiry schedule for tax losses not recognized as of December 31, 2009 is as follows:

(€ million)	Expiry ≤ 5 years	> 5 years	Unlimited	Total
Tax losses not recognized	14.6	96.3	446.6	557.5

Recap: Movements in deferred tax assets and liabilities during 2008 are as follows:

(€ million)	As of December 31, 2007	Changes in business through net income	Changes in business through equity	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2008
Deferred tax assets, gross	2,037.5	18.7	71.7	26.6	13.2	(17.5)	2,150.2
Deferred tax assets not recognized	(569.4)	(2.2)	(11.3)	1.6	11.0	(0.4)	(570.7)
Deferred tax assets, net	1,468.1	16.5	60.4	28.2	24.2	(17.9)	1,579.5
Deferred tax liabilities	1,794.7	101.6	12.2	127.3	(85.4)	(14.4)	1,936.0

13 Working capital

Movements in net working capital during 2009 are as follows:

(€ million)	As of December 31, 2008	Changes in business	Impairment losses	Changes in consolidation cope	Foreign exchange translation	Reclassification in assets / liabilities classified as held for sale	Other	As of December 31, 2009
Inventories and work-in-progress, net	1,022.0	16.2	6.1	(3.6)	4.4	(53.5)	5.7	997.3
Operating receivables, net	13,093.2	(407.7)	(82.3)	(219.8)	95.5	(107.6)	(123.8)	12,247.5
Operating payables, net	13,591.8	(99.7)	-	(227.9)	105.3	(174.7)	(119.1)	13,075.7
Net working capital	523.4	(291.8)	(76.2)	4.5	(5.4)	13.6	1.0	169.1

The amount transferred to "Assets classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" primarily concerns incineration activities in the United States in the Environmental Services Division and Renewable Energy activities.

Net working capital includes "operating" working capital (inventories, trade receivables, trade payables and other operating receivables and payables, tax receivables and payables other than current tax), "tax" working capital (current tax receivables and payables) and "investment" working capital (receivables and payables in respect of capital expenditure). Movements in each of these working capital categories in 2009 are as follows:

(€ million)	As of December 31, 2008	Changes in business	Impairrment losses	Changes in consolidation scope	Foreign exchange translation	Reclassification in assets / liabilities classified as held for sale	Other	As of December 31, 2009
Inventories and work-in-progress, net	1,022.0	16.2	6.1	(3.6)	4.4	(53.5)	5.7	997.3
Operating receivables (including tax receivables other than current tax)	12,844.4	(434.7)	(82.5)	(217.1)	89.0	(92.7)	(59.6)	12,046.8
Operating payables (including tax payables other than current tax)	(12,791.9)	62.7	-	207.2	(94.3)	73.5	42.3	(12,500.5)

Operating working capital	1,074.5	(355.8)	(76.4)	(13.5)	(0.9)	(72.7)	(11.6)	543.6
Tax receivables (current tax)	227.0	31.4	-	(2.7)	6.5	(13.3)	(59.2)	189.7
Tax payables (current tax)	(324.7)	(19.0)	-	(1.7)	(12.3)	72.1	64.8	(220.8)
Tax working capital	(97.7)	12.4	-	(4.4)	(5.8)	58.8	5.6	(31.1)
Receivables on non-current asset disposals	21.8	(4.4)	0.2	0.0	-	(1.6)	(5.0)	11
Capital expenditure payables	(475.2)	56.0	-	22.4	1.3	29.1	12.0	(354.4)
Investment working capital	(453.4)	51.6	0.2	22.4	1.3	27.5	7.0	(343.4)
Net working capital	523.4	(291.8)	(76.2)	4.5	(5.4)	13.6	1.0	169.1

Movements in inventories during 2009 are as follows:

Stocks (€ million)	As of December 31, 2008	Changes in business	Impairment losses	Reversal of impairment losses	Changes in consolidation scope	Foreign exchange translation	Reclassification in assets / liabilities classified as held for sale	Other	As of December 31, 2009
Raw materials and supplies	635.3	16.0	-	-	(6.6)	5.1	(12.5)	(6.4)	630.9
Work-in-progress	329.3	1.4	-	-	(0.4)	(1.8)	(42.7)	1.3	287.1
Other inventories (1)	139.4	(1.2)	-	-	3.0	2.3	0.1	10.6	154.2
Inventories and work-in-progress, gross	1,104.0	16.2	-	-	(4.0)	5.6	(55.1)	5.5	1 ,072.2
Impairment losses on inventories and work-in-progress	(82.0)	-	(36.5)	42.6	0.4	(1.2)	1.6	0.2	(74.9)
Inventories and work-in-progress, net	1,022.0	16.2	(36.5)	42.6	(3.6)	4.4	(53.5)	5.7	997.3

(1) Including CO2 inventory

Inventories mainly concern the Water Division in the amount of €335.5 million and the Energy Services Division in the amount of €389.2 million.

Movements in operating receivables during 2009 are as follows:

Operating receivables (€ million)	As of December 31, 2008	Changes in business	Impairment losses (1)	Reversal of impairment losses	Changes in consolidation scope	Foreign exchange translation	Reclassification in assets / liabilities classified as held for sale	Other	As of December 31, 2009
Trade receivables	10,253.0	(378.2)	-	-	(199.6)	55.8	(56.9)	(32.5)	9,641.6
Impairment losses on trade receivables	(550.9)	-	(180.5)	112.2	11.3	(0.3)	9.5	38.4	(560.3)
Trade receivables, net (2)	9,702.1	(378.2)	(180.5)	112.2	(188.3)	55.5	(47.4)	5.9	9,081.3
Other operating receivables	1,314.1	(63.3)	-	-	(12.0)	24.6	(15.2)	(70.2)	1,178.0

Impairment losses on other operating receivables	(59.6)	-	(27.7)	13.7	0.0	(0.2)	-	(3.0)	(76.8)
Other operating receivables, net (2)	1,254.5	(63.3)	(27.7)	13.7	(12.0)	24.4	(15.2)	(73.2)	1,101.2
Other receivables (3)	663.4	89.0	-	-	(1.7)	8.1	(28.4)	0.9	731.3
Tax receivables	1,473.2	(55.2)	-	-	(17.8)	7.5	(16.6)	(57.4)	1,333.7
Operating receivables, net	13,093.2	(407.7)	(208.2)	125.9	(219.8)	95.5	(107.6)	(123.8)	12,247.5

(1) Impairment losses are recorded in operating income and included in the line “Changes in working capital” in the Consolidated Cash Flow Statement.

(2) Financial assets as defined by IAS 39, valued in accordance with the rules applicable to loans and receivables.

(3) Receivables recognized on a percentage completion basis in respect of construction activities and prepayments.

Operating receivables are treated as loans and receivables for accounting purposes. Short-term commercial receivables and payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Changes in consolidation scope primarily concerned the following acquisitions and disposals:

- Ø Water: change in consolidation method (from full to proportionate consolidation) of the Water Division in North Africa and the Middle East following a change in governance for -€111.6 million and change in consolidation method (from proportionate to full consolidation) of Italian concessions for €47.6 million.
- Ø Environmental Services: sale of the VPNM sub-group for -€84.4 million.
- Ø Transportation: sale of Freight activities for -€59 million.

Foreign exchange translation gains and losses are primarily due to the appreciation of the Australian dollar, Brazilian real and pound sterling against the euro.

Securitization of receivables in France

Securitized debts total €499.7 million as of December 31, 2009 compared to €496.6 million at the end of December 2008.

These receivables are retained in assets and the financing secured is recorded in "Current borrowings" (see Note 17, Current borrowings).

Assignment of receivables

Receivables definitively assigned to third parties in the Energy Services Division in Italy totaled €178 million as of December 31, 2009, compared to €69.4 million as of December 31, 2008 and €25.5 million as of December 31, 2007.

Movements in operating payables during 2009 are as follows:

Operating payables (€ million)	As of December 31, 2008	Changes in business	Changes in consolidation scope	Foreign exchange translation	Reclassification in assets / liabilities classified as held for sale	Other	As of December 31, 2009
Trade payables (1)	5,634.5	(273.7)	(50.4)	35.3	(30.4)	(4.3)	5,311.0
Other current operating payables (1)	5,112.2	1.9	(129.7)	47.3	(63.6)	(34.7)	4,933.4
Other liabilities (2)	1,255.6	90.8	(1.2)	6.8	(6.0)	(21.6)	1,324.4
Tax and employee-related liabilities	1,589.5	81.3	(46.6)	15.9	(74.7)	(58.5)	1,506.9
Operating payables	13,591.8	(99.7)	(227.9)	105.3	(174.7)	(119.1)	13,075.7

(1) Financial liabilities as defined by IAS 39, measured at amortized cost.

(2) Primarily deferred income.

Trade payables are treated as liabilities at amortized cost in accordance with IAS 39 for accounting purposes. Short-term commercial payables without a declared interest rate are recognized at nominal value, unless discounting at the market rate has a material impact.

Changes in consolidation scope primarily concerned the following acquisitions and disposals:

Ø Water: change in consolidation method (from full consolidation to proportionate consolidation) of the Water Division in North Africa and the Middle East following a change in governance for -€123.4 million;

Ø Environmental Services: sale of the VPNM sub-group for -€99.1 million.

Ø Transportation: sale of Freight activities for - €54.3 million.

Foreign exchange translation gains and losses are primarily due to the appreciation of the Australian dollar, Brazilian real and pound sterling against the euro.

Recap: Movements in net working capital during 2008 are as follows:

(€ million)	As of December 31, 2007	Changes in business	Impairment losses	Changes in consolidation scope	Foreign exchange translation	Other	As of December 31, 2008
Inventories and work-in-progress, net	839.4	172.1	(43.2)	75.4	(20.6)	(1.1)	1,022.0
Operating receivables, net	12,459.4	857.4	(24.6)	(33.7)	(183.2)	17.9	13,093.2
Operating payables, net	12,944.8	983.2	-	(36.6)	(231.3)	(68.3)	13,591.8
Net working capital	354.0	46.3	(67.8)	78.3	27.5	85.1	523.4

14 Cash and cash equivalents and bank overdrafts and other cash position items

Movements in cash and cash equivalents and bank overdrafts and other cash position items during 2009 are as follows:

(€ million)	As of December 31, 2008	Changes in business	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Other	As of December 31, 2009
Cash	1,317.9	44.1	(57.3)	-	24.3	(18.6)	1,310.4
Cash equivalents	2,531.7	1,797.1	(20.7)	1.3	(0.4)	(5.0)	4,304.0
Cash & cash equivalents	3,849.6	1,841.2	(78.0)	1.3	23.9	(23.6)	5,614.4
Bank overdrafts and other cash position items	465.7	(3.4)	(6.4)		(1.4)	0.4	454.9
Net cash	3,383.9	1,844.6	(71.6)	1.3	25.3	(24.0)	5,159.5

(1) Fair value adjustments are recorded in financial income and expenses.

Cash and cash equivalents of -€23.7 million were transferred to "Assets classified as held for sale" in 2009.

Changes in consolidation scope primarily concerned the following disposals:

- Transportation: sale of Freight activities for - €32.2 million.
- Environmental Services: sale of the VPNM sub-group for -€38.6 million.
- Water: change in the consolidation method (from full to proportionate consolidation) in North Africa and the Middle East for -€10.2 million.

As of December 31, 2009, the Water Division held cash of €477.5 million, the Environmental Services Division held cash of €182.9 million, the Energy Services Division held cash of €280.4 million, the Transportation Division held cash of €158.6 million, Veolia Environnement SA held cash of €41.4 million and certain subsidiaries (primarily insurance) held cash of €169.6 million.

Investment supports used by the Group include UCITS (Undertakings for Collective Investment in Transferable Securities), negotiable debt instruments (bank certificates of deposit and treasury notes with a maturity of less than three months) and monetary notes.

Surplus cash balances of other Group subsidiaries, not pooled at Veolia Environnement SA level, are invested in accordance with procedures defined by the Group. Note 29.3.2 – Management of liquidity risk, presents a breakdown of investments by nature.

As of December 31, 2009, cash equivalents were primarily held by Veolia Environnement SA in the amount of €4,049.8 million including monetary UCITS of €3,037.9 million, negotiable debt instruments (bank certificates of deposit and treasury notes with a maturity of less than three months) of €375.2 million, monetary notes of €385.0 million and term deposit accounts of €250.0 million. Cash equivalents are accounted for as assets designated at fair value through the Consolidated Income Statement.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts.

Recap: movements in cash and cash equivalents during 2008 are as follows:

(€ million)	As of December 31, 2007	Changes in business	Changes in consolidation scope	Fair value adjustments (1)	Foreign exchange translation	Other	As of December 31, 2008
Cash	1,449.5	(119.0)	16.2	-	(24.7)	(4.1)	1,317.9
Cash equivalents	1,666.1	845.1	13.0	-	(2.9)	10.4	2,531.7
Cash & cash equivalents	3,115.6	726.1	29.2	-	(27.6)	6.3	3,849.6
Bank overdrafts and other cash position items	459.4	32.7	18.1		(6.0)	(38.5)	465.7
Net cash	2,656.2	693.4	11.1		(21.6)	44.8	3,383.9

(1) Fair value adjustments are recorded in financial income and expenses.

Cash and cash equivalents of €1.8 million were transferred to “Assets classified as held for sale” in 2008, compared to €0.3 million in 2007.

As of December 31, 2008, the Water Division held cash of €492.0 million, the Environmental Services Division held cash of €204.2 million, the Energy Services Division held cash of €268.5 million, the Transportation Division held cash of €176.2 million, Veolia Environnement SA held cash of €3.3 million and certain subsidiaries (primarily insurance) held cash of €173.7 million.

As of December 31, 2008, cash equivalents were primarily held by Veolia Environnement SA in the amount of €2,280.2 million including non-dynamic monetary UCITS of €586.0 million, negotiable debt instruments (bank certificates of deposit and treasury notes with a maturity of less than three months) of €955.8 million and monetary notes of €729.2 million. Cash equivalents are accounted for as assets designated at fair value through the Consolidated Income Statement.

Bank overdrafts and other cash position items consist of credit balances on bank accounts and related accrued interest payable, corresponding to brief overdrafts. The contributors in 2008 are the Water Division (€210.7 million), the Environmental Services Division (€99.1 million), the Energy Services Division (€77.9 million), the Transportation Division (€43.4 million) and other (€34.6 million).

15 Equity

15.1 Share capital management objectives, policies and procedures

Veolia Environnement manages its share capital within the framework of a prudent and rigorous financial policy that seeks to ensure easy access to French and international capital markets, to enable investment in projects that create value and provide shareholders with a satisfactory remuneration, while maintaining a credit rating in excess of BBB. This policy has led Veolia Environnement to define a debt coverage ratio: Net debt / (Operating cash flow before changes in working capital + principal payments on operating financial assets) of between 3.5 and 4.

Net debt represents gross borrowings (non-current borrowings, current borrowings, bank overdrafts and other cash position items), less cash and cash equivalents and excluding fair value adjustments to derivatives hedging debt.

15.2 Total equity attributable to owners of the Company

15.2.1 Share capital

The share capital is fully paid up.

Share capital increases

On July 10, 2007, Veolia Environnement performed a share capital increase for cash with retention of preferential subscription rights in the amount of €2,558.1 million (after offset of share capital increase costs of €23.3 million against additional paid-in capital).

In addition in 2007, Veolia Environnement performed a share capital increase of €156.2 million, subscribed by members of the Group employee savings plan in France and abroad. The discount on the issue price was expensed in the amount of €33.8 million.

Furthermore, the share capital was increased by €119.7 million (including additional paid-in capital) following the exercise of share purchase and subscription options.

In 2008, Veolia Environnement performed a share capital increase of €22 million following the exercise of share purchase and subscription options.

In 2009, Veolia Environnement performed a share capital increase of €322 million on the payment of scrip dividends. As decided by the Annual General Meeting of Shareholders of May 7, 2009, the Group offered shareholders a choice of payment of the dividend in cash or shares. Shareholders elected for the payment of 58% of dividends in shares, leading to the creation of 20,111,683 shares, representing just over 4.25% of the share capital and 4.39% of voting rights.

In addition in 2009, Veolia performed a share capital increase (including additional-paid-in capital) reserved for employees (Group employee savings plan) of €19.4 million (excluding issuance costs). A discount was not granted on the subscription price.

Finally, Veolia Environnement performed a share capital increase of €0.7 million following the exercise of share options.

Number of shares outstanding and par value:

The number of shares outstanding is 471,762,756 shares as of December 31, 2007, 472,576,666 shares as of December 31, 2008 and 493,630,374 shares as of December 31, 2009 (including treasury shares). The par value of each share is €5.

15.2.2 Offset of treasury shares against equity

In 2007, the net decrease in treasury shares was -133,654 shares, for a net carrying amount of €3.2 million. As of December 31, 2007, the Group held 15,120,654 of its own shares.

In 2008, the net decrease in treasury shares was -140,620 shares, for a net carrying amount of €3.2 million. As of December 31, 2008, the Group held 14,980,034 of its own shares.

In 2009, Veolia Environnement transferred 109,533 shares as consideration for an external growth transaction performed by a subsidiary for an amount of €1.9 million and 138,909 shares as part of the share capital increase reserved for employees; as of December 31, 2009, the Group held 14,731,592 of its own shares.

15.2.3 Share purchase and subscription options

In accordance with IFRS 2, an expense of €15.6 million in 2007, €5.5 million in 2008 million and €10.9 million in 2009 was recognized in respect of share option plans granted to employees.

15.2.4 Appropriation of net income and dividend distribution

A dividend of €553.8 million was distributed by Veolia Environnement SA. 2008 net income attributable to owners of the Company of €405.1 million was appropriated in full to the distribution of dividends.

15.2.5 Foreign exchange translation reserves

Accumulated foreign exchange translation reserves as of January 1, 2007 are positive in the amount of €144.6 million (portion attributable to owners of the Company), including €32.6 million related to the Korean won, €60.4 million related to the pound sterling, €68.8 million related to the Czech crown and -€45.9 million related to the U.S. dollar.

In 2007, translation losses of -€263.7 million (portion attributable to owners of the Company) concerned the U.S. dollar in the amount of -€80.3 million, the pound sterling in the amount of -€122.2 million and the Chinese renminbi yuan in the amount of -€41.9 million.

Accumulated foreign exchange translation reserves as of December 31, 2007 are negative in the amount of -€119.1 million (portion attributable to owners of the Company), including -€126.2 million related to the U.S. dollar, -€61.8 million related to the pound sterling, €80.7 million related to the Czech crown and -€46.0 million related to the Chinese renminbi yuan.

In 2008, translation losses of -€313.8 million (portion attributable to owners of the Company) primarily concerned the pound sterling in the amount of -€324.1 million, the U.S. dollar in the amount of €74.4 million and the Chinese renminbi yuan in the amount of €156.1 million.

Accumulated foreign exchange translation reserves as of December 31, 2008 are negative in the amount of -€432.9 million (portion attributable to owners of the Company), including -€51.8 million related to the U.S. dollar, -€385.9 million related to the pound sterling, €74 million related to the Czech crown and €110.1 million related to the Chinese renminbi yuan.

In 2009, translation gains of €88.5 million (portion attributable to equity owners of the Company) concerned the U.S. dollar in the amount of -€57.5 million, the pound sterling in the amount of +€65.8 million, the Chinese renminbi yuan in the amount of -€85.0 million and the Australian dollar in the amount of +€60.0 million.

The increase in foreign exchange translation reserves primarily reflects the appreciation of the pound sterling and Australian dollar against the euro in 2009, while the U.S. dollar and Chinese renminbi yuan depreciated against the euro. Movements in foreign exchange translation reserves are nonetheless significantly reduced by the Group policy of securing borrowings in the local currency.

Movements in foreign exchange translation reserves (attributable to owners of the Company and to non-controlling interests)

(€ million)	Total	o/w attributable to owners of the Company
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(26.1)	(84.8)
Translation differences on net foreign investments	(36.8)	(34.3)
As of December 31, 2007	(62.9)	(119.1)
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(333.0)	(379.8)
Translation differences on net foreign investments	(52.8)	(53.1)
As of December 31, 2008	(385.8)	(432.9)
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	73.2	82.5
Translation differences on net foreign investments	6.2	6.0
Movements in 2009	79.4	88.5
Translation differences on the financial statements of subsidiaries drawn up in a foreign currency	(259.8)	(297.2)
Translation differences on net foreign investments	(46.6)	(47.2)
As of December 31, 2009	(306.4)	(344.4)

Breakdown by currency of Foreign exchange translation reserves attributable to owners of the Company:

(€ million)	As of December 31, 2007	As of December 31, 2008	Movement	As of December 31, 2009
Pound sterling	(61.8)	(385.9)	65.8	(320.1)
Chinese renminbi yuan	(46.0)	110.1	(85.0)	25.1
Czech crown	80.7	74.0	7.6	81.6
U.S. dollar	(126.2)	(51.8)	(57.5)	(109.3)
Australian dollar	(0.7)	(45.5)	60.0	14.5
Korean won	8.8	(32.3)	4.9	(27.4)
Polish zloty	11.3	(24.7)	16.0	(8.7)
Hong Kong dollar	16.3	(24.5)	18.8	(5.7)
Norwegian crown	2.4	(17.9)	16.1	(1.8)
Romanian leu	4.9	(7.1)	(5.3)	(12.4)
Canadian dollar	7.7	(4.8)	9.4	4.6
Swedish krona	(5.6)	(3.9)	16.7	12.8
Hungarian florint	2.7	(3.4)	(1.4)	(4.8)
Mexican peso	2.0	(1.1)	(6.7)	(7.8)
Egyptian pound	(0.6)	(0.8)	0.2	(0.6)
Other currencies	(15.0)	(13.3)	28.9	15.6

Total	(119.1)	(432.9)	88.5	(344.4)

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15.2.6 Fair value reserves

Fair value reserves attributable to owners of the Company are €21.6 million as of December 31, 2007, -€79.2 million as of December 31, 2008 and -€43.5 million as of December 31, 2009.

(€ million)	Available-for sale securities	Commodity derivatives hedging cash flows	Foreign currency derivatives hedging cash flows	Interest rate derivatives hedging cash flows	Total	o/w Attributable to owners of the Company
As of December 31, 2007	34.4	1.0	0.8	(16.1)	20.1	21.6
Fair value adjustments	(18.5)	(32.9)	(0.6)	(60.1)	(112.1)	(101.6)
Other movements	0.1	4.1	-	0.9	5.1	0.8
As of December 31, 2008	16.0	(27.8)	0.2	(75.3)	(86.9)	(79.2)
Fair value adjustments	(4.0)	22.3	3.4	17.7	39.4	38.6
Other movements		(4.0)	0.5	0.3	(3.2)	(2.9)
As of December 31, 2009	12.0	(9.5)	4.1	(57.3)	(50.7)	(43.5)

Amounts are presented net of tax

No material amounts were released to the Consolidated Income Statement in respect of interest rate derivatives hedging cash flows and recorded in finance costs and income.

15.3 Non-controlling interests

A breakdown of the movement in non-controlling interests is presented in the Statement of Changes in Equity.

The increase in non-controlling interests in 2009 is due to the dividend distribution for -€202.0 million, offset by the net income for the year of €257.8 million and the various share capital increases for €149.8 million.

The decrease in non-controlling interests in 2008 is mainly due to the share capital reduction performed by the company carrying the Berlin contract in the Water Division for -€131.2 million and the distribution of dividends for -€200.8 million, partially offset by the net income for the year of €304.1 million.

16 NON-CURRENT AND CURRENT PROVISIONS

Pursuant to IAS 37 (see Note 1.14), provisions maturing after more than one year are discounted. Discount rates used were as follows:

Discount rates

	As of December 31, 2009		As of December 31, 2008		As of December 31, 2007	
Euro						
2 to 5 years	2.49	%	5.67	%	5.27	%
6 to 10 years	4.14	%	5.97	%	5.52	%
More than ten years	5.59	%	6.65	%	6.04	%
U.S. Dollar						
2 to 5 years	2.24	%	4.95	%	4.35	%
6 to 10 years	4 .67	%	5.75	%	4.94	%
More than ten years	5.92	%	6.82	%	5.84	%
Pound Sterling						
2 to 5 years	2.26	%	6.13	%	5.51	%
6 to 10 years	4.43	%	6.40	%	5.66	%
More than ten years	5.68	%	6.46	%	5.88	%

The discount rate calculation methodology is presented in Note 2, Use of management estimates in the application of Group accounting standards.

Movements in non-current provisions during 2009 are as follows:

(€ million)	As of December 31, 2008	Addition / charge	Repayment / Utilization during the year	Reversal	Actuarial gains (losses)	Unwinding discount	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2009
Tax litigations	126.0	45.7	(27.9)	(3.2)	-	(0.1)	-	-	(28.9)	11.7	123.3
Employee litigations	9.3	2.7	(0.3)	(0.5)	-	0.1	(0.2)	-	(0.8)	0.4	10.7
Other litigations	76.2	31.0	(4.7)	(4.4)	-	2.0	-	(0.2)	(10.4)	8.4	97.9
Contractual commitments	248.6	186.1	(173.3)	(1.3)	-	1.4	-	-	-	6.2	267.7
Provisions for work-in-progress & losses to completion on LT contracts	226.6	33.9	(10.0)	(1.7)	-	10.6	0.8	0.9	(41.0)	(4.9)	215.2
Closure and post-closure costs	520.4	19.6	(5.9)	(10.5)	-	111.1	9.8	3.5	(37.1)	(3.0)	607.9
Restructuring provisions	1.2	0.2	(0.1)	(0.3)	-	-	-	-	(0.2)	-	0.8
Self-insurance provisions	126.7	59.4	(53.8)	(0.6)	-	2.9	-	(0.3)	(21.2)	(0.4)	112.7
Other	97.0	16.6	(22.1)	(3.9)	-	1.5	(1.2)	-	(12.7)	1.7	76.9
Non-current provisions excl. pensions and other employee benefits	1,432.0	395.2	(298.1)	(26.4)	-	129.5	9.2	3.9	(152.3)	20.1	1 513.1
Provisions for pensions and other employee benefits	728.2	89.1	(101.3)	(31.0)	68.5	38.3	(7.9)	14.1	-	(20.0)	778.0
Non-current provisions	2,160.2	484.3	(399.4)	(57.4)	68.5	167.8	1.3	18.0	(152.3)	0.1	2,291.1

Movements in current provisions during 2009 are as follows:

(€ million)	As of December 31, 2008	Charge	Utilization	Reversal	Changes in consolidation scope	Foreign exchange translation	Non-current / current reclassification	Other	As of December 31, 2009
Tax litigations	63.2	18.2	(20.9)	(35.5)	(0.7)	0.1	28.9	(9.1)	44.2
Employee litigations	28.7	11.9	(8.6)	(3.4)	(5.3)	0.1	0.8	0.3	24.5
Other litigations	113.0	46.6	(26.1)	(19.6)	(0.3)	(0.5)	10.5	(6.8)	116.8
Provisions for work-in-progress & losses to completion on LT contracts	158.8	85.2	(94.8)	(10.1)	1.3	2.7	41.0	(35.7)	148.4
Closure and post-closure costs	68.7	12.1	(37.8)	(1.7)	(2.8)	1.5	37.1	1.3	78.4
Restructuring provisions	26.6	5.3	(18.6)	(3.3)	(0.1)	0.2	0.2	(1.4)	8.9
Self-insurance provisions	106.0	84.1	(70.4)	(2.7)	0.6	(1.0)	21.2	(2.7)	135.1
Other	208.1	122.5	(102.4)	(33.2)	(5.6)	1.7	12.6	(10.8)	192.9
Current provisions	773.1	385.9	(379.6)	(109.5)	(12.9)	4.8	152.3	(64.9)	749.2

Movements in current and non-current provisions break down as follows:

Litigation

This provision covers all losses that are considered probable and that relate to litigation (taxation, employee or other) arising in the normal course of Veolia Environnement's business operations.

The Water, Energy Services and Environmental Services Divisions account for the majority of the provisions (€220.7 million, €85.2 million and €57.0 million respectively).

Contractual commitments

As part of its obligations under public services contracts, Veolia Environnement generally assumes responsibility for the maintenance and repair of the installations it manages. The resulting maintenance and repair costs are analyzed in accordance with IAS 37 on provisions and, where necessary, a provision for contractual commitments is recorded where there is outstanding work to be performed. These provisions total €267.7 million and primarily relate to the Water and Energy Services Divisions in the amount of €174.1 million and €93.6 million respectively.

Work-in-progress and losses to completion on long-term contracts

As of December 31, 2009, these provisions mainly concerned the Water Division (primarily engineering and construction activities) in the amount of €113.7 million, the Transportation Division in the amount of €142 million and the Environmental Services Division in the amount of €100.7 million.

These provisions also include warranty and customer care provisions in the engineering and construction businesses.

Closure and post-closure costs